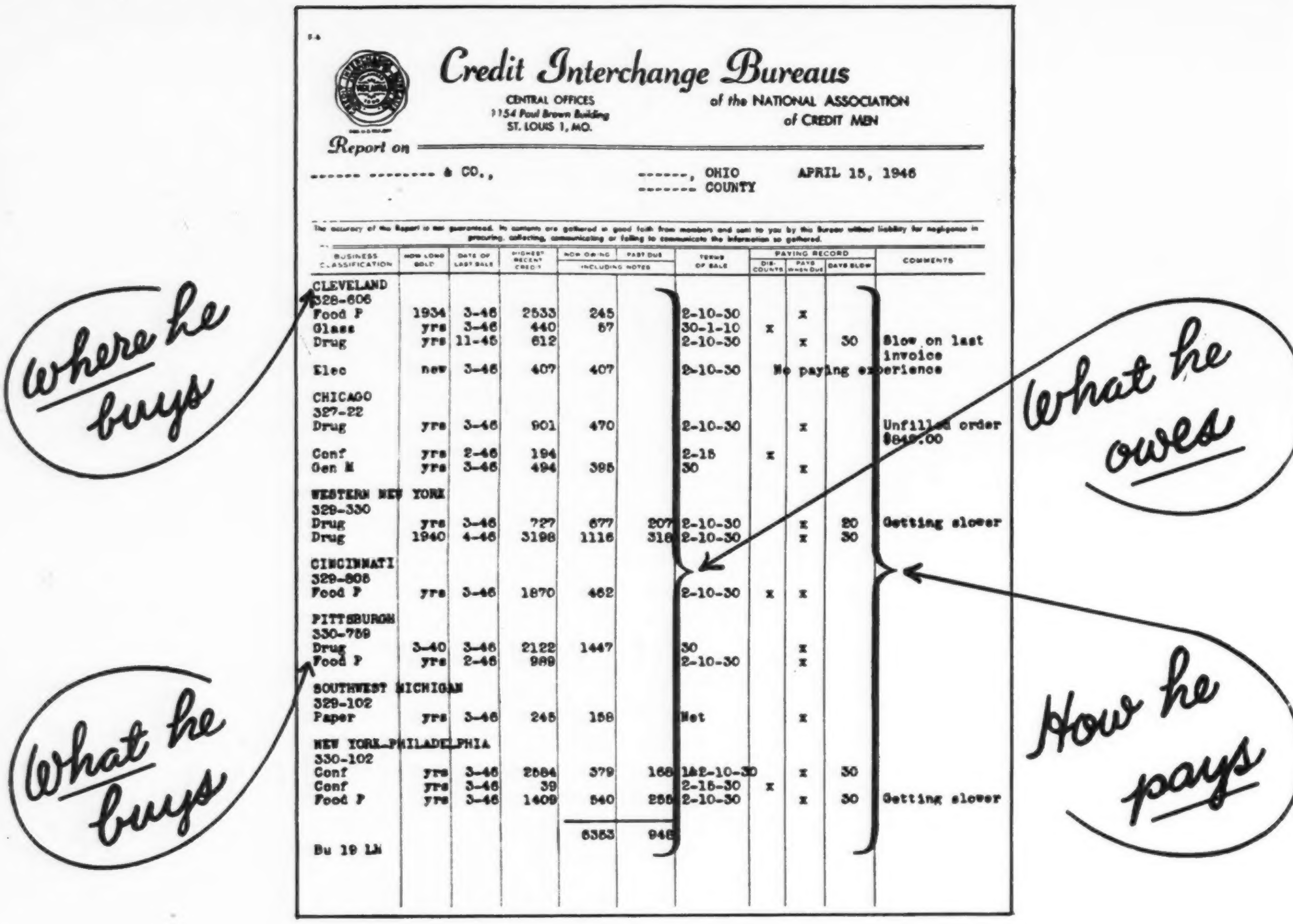
CREDIT
AND FINANCIAL MANAGEMENT

MAY 1946

Photo—Philip Gendreau

PRODUCTION LINES MOVE AGAIN



Credit Interchange Bureaus

CENTRAL OFFICES
1154 Paul Brown Building
ST. LOUIS 1, MO.

of the NATIONAL ASSOCIATION of CREDIT MEN

Report on

------ -------- & CO., ------, OHIO ------- COUNTY APRIL 15, 1946

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BUSINESS CLASSIFICATION	HOW LONG SOLD	DATE OF LAST SALE	HIGHEST RECENT CREDIT	NOW OWING	PAST DUE	TERMS OF SALE	PAYING RECORD			COMMENTS
				INCLUDING NOTES			DISCOUNTS	PAYS WHEN DUE	DAYS SLOW	
CLEVELAND 328-606										
Food P	1934	3-46	2533	245		2-10-30		x		
Glass	yrs	3-46	440	87		30-1-10	x			
Drug	yrs	11-45	612			2-10-30		x	30	Slow on last invoice
Elec	new	3-46	407	407		2-10-30	No paying experience			
CHICAGO 327-22										
Drug	yrs	3-46	901	470		2-10-30		x		Unfilled order $84[illegible].00
Conf	yrs	2-46	194			2-15	x			
Gen M	yrs	3-46	494	395		30		x		
WESTERN NEW YORK 329-330										
Drug	yrs	3-46	727	677	207	2-10-30		x	20	Getting slower
Drug	1940	4-46	3198	1116	318	2-10-30		x	30	
CINCINNATI 329-808										
Food P	yrs	3-46	1870	462		2-10-30	x	x		
PITTSBURGH 330-759										
Drug	3-40	3-46	2122	1447		30		x		
Food P	yrs	2-46	989			2-10-30		x		
SOUTHWEST MICHIGAN 329-102										
Paper	yrs	3-46	245	158		Net		x		
NEW YORK-PHILADELPHIA 330-102										
Conf	yrs	3-46	2584	379	168	1&2-10-30		x	30	
Conf	yrs	3-46	39			2-15-30	x			
Food P	yrs	3-46	1409	540	255	2-10-30		x	30	Getting slower
				6353	948					
Bu 19 LM										

Solve important credit problems through Credit Interchange Reports

Analysis of Credit Interchange Reports helps materially in the solution of some of the important problems constantly confronting every Credit Executive, including:

1. When to establish or expand credit, as indicated by —
- (*a*) *Customer's ability to pay his obligations promptly.*
- (*b*) *Definite improvement in trade payments.*

2. When to restrict credit, as indicated by —
- (*a*) *Customer's inability to take care of present obligations.*
- (*b*) *Overbuying in all lines, or overstocking in your particular line.*
- (*c*) *A definite downward trend in trade payments.*

3. When and how to employ collection pressure, as indicated by —
- (*a*) *Other accounts being paid more promptly than your own.*
- (*b*) *Age of accounts before they are paid, letting you know what to expect from your efforts.*
- (*c*) *Number of other accounts collected or placed for collection.*

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CREDIT

AND FINANCIAL MANAGEMENT

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PRIORITY FOR GOVERNMENT CLAIMS

The priority or preference of government claims in bankruptcies or insolvent estates is a matter of growing concern to every credit executive. This preference, originally given when tax burdens were low and the need of supporting the government through this advantage was paramount, has since been expanded to the point where creditors are frequently subject to a double burden. Not alone are creditors, who become involved in an insolvent estate, faced with a loss on their accounts, but these losses are made greater by reason of the priority of claims due the government.

Credit executives feel, and we believe properly so, that a limitation as to time with respect to these claims, except in cases of fraud, is quite in order. Not only would such a limitation force a more vigilant collection policy on the part of the government, but it would in many instances prevent an over all loss to all concerned. Legislation to this effect is certainly in order in our modern economy. Added need for such legislation is apparent when we consider that the government has branched out into many fields and that the priority of claims in many instances is not primarily a measure to protect the normal revenue sought for the administration of government.

It may amaze some people to learn that legal authorities are of the opinion that the government would have a priority claim on the sale of surplus war material. It is hoped that a clarification by executive directive may be had on this issue. If it is not, the necessity for separating the accounts payable in any balance sheet is very apparent. Such an item would have to first of all indicate the normal accounts payable due creditors; secondly, the amount due the government, and if the priority of claim for the sale of surplus material by the government would hold in an insolvency or bankruptcy, the amount of such claim would have to be included as a prior liability.

It would not be unreasonable to expect two things for the government to do. First, it should limit its priority in tax cases to three years, save and except where fraud has occurred. Secondly, the government has no right to a priority claim on collateral operations such as the sale of surplus material. If the government continues expanding its activities and continues its demand for a priority of claim in all of these matters, with unlimited time for its realization, the net result can only be to reduce the credit acceptability of marginal customers. Such a policy would not be to the best interest of the nation.

Henry H. Heimann

HENRY H. HEIMANN,
EXECUTIVE MANAGER

HOMES like this represent the realization of yesterday's dreams . . . dreams that materialized as the result of thought, saving, and hard work . . . the fulfillment of years of careful planning.

Part of the dream was protecting the home . . . but the owner may find that the fire insurance and other property coverages he carefully planned are inadequate today . . . that soaring replacement values would prevent rebuilding anything like his present home at its original cost.

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TRADE ACCEPTANCES IN CREDIT

A Possible Solution To Distribution Problems

by JOHN H. PETO*
Treasury Department
WORTHINGTON PUMP AND MACHINERY CORPORATION
Harrison, N. J.

You have heard it said that the "honeymoon" is over which by inference means the days of "ready cash" are at an end. You have also been told that distributors and dealers are well supplied with "working capital." Paradoxically both thoughts are in a sense correct. Financial statements of manufacturers, distributors and dealers do, on the average, reflect increased working capital in comparison with normal business requirements of pre-war years. The years ahead will not be normal for while manufacturers, distributors and dealers may be in a better "net worth" position than heretofore, the increased cost of doing business plus large inventories accumulated in anticipation of heavy demands for merchandise can very well place manufacturers, distributors and dealers in a "tight cash position" in spite of increased assets. Therefore the problem of the credit man is basically the same as it was when there was less business and less money.

Both Are Interdependent

Sales policies and methods are interwoven with the credit problem through terms of sale. Changes in one affect the other. New sales plans created to meet various conditions in one or all sections of the country must necessarily take into consideration the element of payment. It is up to the credit man to meet the situation with terms of sale that will offer the least sales resistance yet be on a basis satisfactory to the seller as well as the buyer. The type of business, costs and selling price govern the terms on which a product can be sold on a profitable basis. Overcoming sales resistance by granting extended terms of sale beyond reason or by making drastic price reductions beyond a point of profit represents a lack of business sense and a complete abandonment of salesmanship in which the credit man should have no part.

Our problems as credit men are no different today, basically, than they were ten years ago. The new partnership or corporation with limited working capital, as well as the established distributor with proven ability and reasonable working capital who is tempted to overexpand, always presented a problem.

Low Capital Problems

Let us take for example the new partnership or corporation with a paid in capital of $10,000 or $25,000. I have two such cases in mind. In the first the partners explained that more money was available if needed, and in the other the paid-in capital represented the total possible investment. Orders were received from both such distributors in an amount approximating $80,000. Even though it is anticipated that shipments will be staggered over several months, there is a definite credit problem. Realizing that we are not the only supplier, in the case of the $10,000 example, the problem is to force more money into the business, and in the second, or $25,000 case the credit man must help such a distributor to get as much out of the investment as possible without jeopardizing his company's interest and in keeping with good business practice. In both cases the trade acceptance can be used to advantage. Assuming that both dealers have definite orders for the units as shipped it is understandable that, in view of the limited working capital, collection will have to be effected before payment can be made to the manufacturer. By handling such accounts on a forty-five to sixty-day trade acceptance basis you give the distributor a reasonable chance to collect from the buyer. Then, with a trade acceptance coming due there is less chance of this money being used to pay other debts. Should the distributor be faced with a delinquent account, the one with "more capital available" may have to increase the investment while the other will be forced to meet the trade acceptance from operating capital.

It must be remembered however, the "limited working capital" can range from $10,000 to $100,000 or more depending upon the total volume of business being handled; therefore the use of the trade acceptance need not be confined to the examples I have set forth here.

What *Is* Trade Acceptance?

Now I should like to say a word or two about the trade acceptance, the use of which is often misconstrued. It is not a cure all for poor credit risks and should not be used where the credit of a customer is such that it is advisable to secure cash in advance or sight draft. Today, with the working capital of a good many companies taxed, which can be due to either a lack of business or an abnormal increase, the trade acceptance has, in either case, a very definite place and value. It would, for instance, be good business to secure a trade acceptance

**Address delivered at the National Construction Credit Conference at Chicago.*

from those customers who are known to be good risks; that is, those whose current assets are of sufficient proportion to outstanding indebtedness to warrant faith in the solvency of the business but whose debt paying reputation has been, or has just recently become slow in the settlement of thirty day billings. In securing a trade acceptance from such a customer, you do not improve the existing credit risk but you do improve the chances of collecting your money on the agreed terms of sale for most people will endeavor to meet a signed obligation when due, whereas they would permit an open account to lag. This seems to hold true particularly with the trade acceptance, more so than a note. And, why not? For, after all, the trade acceptance represents a specific current transaction entered into for profit and is a pledge of prompt payment whereas a note too often represents an account that may already be delinquent. In obtaining a trade agreement, a more liquid condition is maintained, and if adopted as regular collection procedure, will reduce the percentage of delinquent accounts thereby insuring a more rapid turnover of working capital with resultant profit.

Trade Acceptances and Notes

In order to better understand the trade acceptance a comparison with the promissory note is advisable. A note represents a promise to pay; a trade acceptance an order to pay. There is a recognized form governing the trade acceptance, any deviation from which would affect its value under the negotiable instrument law.

A note may be given to cover either a new or an old obligation arising from a merchandising transaction or a personal debt, whereas the trade acceptance is a draft drawn by a seller of goods, upon the purchaser, and accepted by the purchaser as payable at a definite time and place, without interest or qualifying conditions and is given to cover a current merchandise obligation. It is actually an acknowledgment of debt before it is due. It is therefore never used to cover a past due account nor is it advisable to use the trade acceptance for deferred payments in connection with a chattel mortgage or conditional bill of sale.

Trade acceptances are more readily discountable than notes, should occasion require.

Customer Resistance

Working capital is materially affected by the liquidity of a business, and since trade acceptances are more easily converted into cash than notes or long overdue accounts, they afford a ready source of additional cash should necessity arise.

At times when certain customers are approached with the request for a trade acceptance, they voice the objection that they never sign notes. This stand is sometimes taken because of the stigma, just or unjust, attached to a note. It is then up to the seller to explain the difference between a trade acceptance and a note, and at the same time, should the occasion permit, advise the customer that it might be a good idea to use them in his own business.

If other objections are offered they should be weighed carefully, for the very nature of a customer's excuse may question the wisdom of accepting the order even on a trade acceptance basis, for, as previously stated, the trade acceptance is not a "cure-all" for poor credit risks. It has, however, a very definite place in credit procedure which its proper use will readily justify.

Wartime Necessity Inspires Peacetime Packing Techniques

Revolutionary changes in the packaging field are in the making as a result of wartime development of new materials and methods, according to an article in the April issue of *Domestic Commerce,* monthly publication of the Department of Commerce. These developments, necessitated by the war, have had a greater effect on the industry than the introduction of entirely new container types, the article states.

Improvements have been made in metal, glass and wooden containers as well as in flexible packaging. Paper, transparent films, metal foils, and combinations of the three are among the materials now used to give a package special desired qualities. These include resistance to moisture, grease, heat, cold, and insects.

"In some cases the war accelerated enormously a trend already begun: in others military necessity demanded performances undreamed of in ordinary commerce," the article states. "It is doubtful whether anything short of a national emergency could have inspired the elaborate pooling of effort and information which made some of these developments possible. Shortages of material taxed but never exhausted the ingenuity of American industry. Shortages of labor failed to halt a rising tide of container production which doubled prewar output."

The article discusses various wartime changes in packaging and their peacetime use in both domestic and foreign commerce. In sounding a caution to exporters it says: "The experience acquired during the war in shipping tremendous volumes of goods all over the world will have a definite carryover in the field of export. Inadequate packaging with consequent damage and pilfering is a familiar cause for foreign resistance to the importation of American goods. A multitude of manufacturers serving the armed forces have learned how to pack for export, affording protection far more rigorous than that required for peacetime commerce. Unfortunately, too many exporters have resumed their prewar practices, only to encounter considerable loss in shipment."

Before adopting new packages users are urged to seek technical advice. The problems involved in choosing proper packaging materials are so complex that often the expert cannot solve them without much experimentation. In addition to the independent packaging research establishments, extensive research facilities are maintained by trade associations, container manufacturers and suppliers of packaging materials. Consumer acceptance is only the first skirmish in the battle of merchandising and may be won by an attractive package. For continuing consumer approval, the goods must be delivered economically, conveniently and in the best of condition.

INDUSTRY NEEDS NEW SALESMEN

Educating Public As Essential As Selling Goods

by L. ROHE WALTER
Director of Public Relations
THE FLINTKOTE COMPANY
New York

In "The Tyranny of Words," Stuart Chase convincingly reveals that serious confusion arises when words, particularly universals, have a different meaning for different people. This seems especially true in the cases of "Public Relations" and "Publicity," since these terms do not have the same meaning to all who use them.

To many manufacturers and businessmen, "public relations" is regarded as a highly organized and complex activity, frequently selfish and ulterior in its motives. carried on by public utilities and other large corporate bodies. With this fixed viewpoint, they may feel that their concerns are not faced with any problems of public relations; wherefore they take little or no interest in this potentially powerful promotional activity.

In reality, public relations means "relations with people" and any business, large or small, has relations with people. In these days of anticipated increased competition and currently confused labor-management problems, the right kind of relationships with customers, prospective employees, stockholders, local, state and federal governmental legislative bodies and bureaus, and the general public are not only highly desirable as a form of business insurance but commercially profitable as well.

"Next to doing the right thing the most important thing is to let the public know you are doing the right thing." A promotional program embodying sound public relations recognizes the basic wisdom of this saying.

Publicity Is Not All

The true public relations counselor, and he is relatively rare, might more properly be known as an "economic director." He uses publicity. but publicity is only one of his tools; it is to public relations as is the fraction to the whole.

The publicity counselor deals with all functions of a business which require interpretations to avoid public misunderstanding. He is concerned with the effects of a company's policies and actions on the management. stockholders. employees, sources of supply, wholesalers, retailers, salesmen, consumers, legislators, public officials, the press, and the general public. The most efficient publicity counselor believes that the best defense is a good offense; therefore he aggressively presents the truth based on irrefutable facts.

"It is not enough to give employees a square deal," a noted business leader has said. "They must be shown they are getting it."

Public relations is not only the least understood factor in commercial sales promotion but its legitimate values and benefits, both immediate and potential, are more frequently overlooked than is any other phase of sales promotion.

Don't Forget Stockholders

All too frequently stockholders are overlooked in a corporation's promotional plan. Many companies that expect vitality and progressiveness in their sales promotional materials are content with the conventional, outmoded annual statement. The purpose of the public relations campaigns to stockholders sponsored by the more progressive companies is to maintain an informative, periodic contact with the real owners of the business and to acquaint them with their company's manufacturing processes, market opportunities and products.

Employees, too, are often neglected in a company's public relations program. Plant magazines, to cite one example, edited by and for the employees, can be an informative, integrating, entertaining and educational means of humanizing the business to the employee and vice versa, the employees to the management. Distributed to leaders in the community they can help interpret a business to the citizens of the towns in which plants are located, thereby furthering the public-relations spirit in which the venture is designed.

Sensing an opportunity to build its nearly 70,000 stockholders into an army of good-will boosters, the General Foods Corporation some years ago initiated a new phase in its public relations activities by establishing a direct "friendly, communicative link" between management and stockholders.

Stockholders are Salesmen

Instead of issuing the sedate periodic corporation report, General Foods tied up its financial statement with an explanation of current company activities in the pages of an informal, copiously illustrated, eight-page tabloid newspaper called "General Foods News," distributed four times a year.

"Your Management has long known that in the hands of the General Foods stockholders rests a great power to affect sales of our products," the company explained to stockholders in the first issue. "This selling influence, thoroughly awak-

ened, could exert a beneficial influence on the annual sales figures of your company.

"We urge you not only to use your company's products but to recommend them to your friends and to ask for them at your grocer's. Armed with the facts in our new booklet, 'A Friend of the Family,' you are potentially one of General Foods' star salesmen."

The booklet referred to accompanied each copy of the first quarterly report issued in tabloid form and covered the complete range of General Foods products, with data on the background, development, and experimentation that have marked the merchandising activities of all General Foods divisions. In a foreword by the Corporation's major executives the organization's business philosophy was outlined.

Whether industry's efforts have been concentrated too much upon production and marketing and not enough upon broader policies of human relationship is the question presently in the minds of many thinking people. The American industrialist has sold his product and sold it well. But has he properly sold his organization, his company's problems and its objectives? Isn't it just as important that he acquaint his working people and the consuming public with his objectives and his problems, and that in these days he emphasize, even beyond production, the necessity of a constructive human relations program between management and employees?

It is just as important, in my opinion, for organizations to begin to emphasize their own problems and explain them in lay language as it is for them to develop a good product or to advertise it. If you are ever going to get an understanding between capital and labor, it will pay you to have a larger portion of your advertising and public relations appropriation devoted to this type of education. It will be just as easy to teach it as it is to teach apprentices to handle a lathe, and to my mind, in these times, it is equally important. Here, then, is one of the weaknesses of management of the past which must be corrected in the future. When it is corrected, perhaps the commands from the top heads of labor, if injudicious and irresponsible, may not be so readily acquiesced in by the rank and file.—*Henry H. Hermann in March 15 Monthly Business Review.*

Uninformed Public Suspects Business

That there is a crying need for improved public relations by industry is apparent to anyone who will pause and read the signs of the times.

Daily, on every hand, the clear-thinking citizen observes American business at work. So familiar are its accomplishments that they are accepted as commonplace; little thought is given to the connection between the business process and the general well-being of the country. On the other hand, because of the general misunderstanding that has arisen between the desks of management and the work benches of the country, the purpose and utility of business is regarded with suspicion and distrust.

What is behind this disquieting attitude toward business in a land famed for its supremacy in the production of goods which make life more comfortable, more interesting, and more worth while; where business has contributed its full share in the best life in recorded history? Why are we part of the bewildering spectacle of a large portion of American citizens literally biting the hand that feeds them?

Business in the United States, partly through its own fault, has been in the doghouse for years. Because of the greed or corrupt practices of a small percentage of businessmen, and because a relatively few corporation executives operated their own companies for their personal benefit rather than in the interest of the stockholders, all business management has suffered criticism.

Business Should Speak Up

Business has been so preoccupied with its major internal problems that it has grown almost inarticulate. It has been frightened into the notion that it must move through subterfuge, in secrecy, and with doubt as to its approach. It has permitted itself to be pushed and crowded by the "smear" technique of the opposition until it speaks apologetically of efforts to develop good relations with the public.

It is a well-known fact that business, so capable and ingenious in improving and selling its products, has been far less progressive in its human relationships. Much of the time it has been behind public opinion when it should have been ahead. It has been thrown into confusion, not because of any inherent or irremediable weakness within itself, but because it has failed to make clear to the people the philosophy and principles of its existence.

This situation is by no means unique. It is a recurring phenomenon of American life that at varying intervals public leaders or organized groups have launched attacks on certain sectors of business activity or on business generally. This was true in Andrew Jackson's time; it characterized Cleveland's administration; it happened again in the days of Theodore Roosevelt and his "big stick". More recent years have witnessed the re-emergence of similar activities in more vigorous fashion than ever before.

Obviously, large sectors of the American public do not regard these actions as attacks; from their point of view these movements represent proper governmental remedial actions which cause business to clean house and give the public a square deal.

What Is Government's Job?

No responsible leader of this country's business will maintain that all business activities or institutions are perfect and proper or that some activities and certain parts of American business cannot properly undergo a housecleaning. In every group there are good men and evil men, wise men and fools, the just and the unjust, the greedy and the generous. Human nature and human institutions continue under all systems to have their endless variety.

The essential problem of government is to police men's activities so that wrong may not be done and justice may prevail. Certain politicians and radicals and pseudo-economists overlook this. Instead of seeking to reduce and prevent injustice between citizens they blindly attack a system of production and distribution that by its results, as shown in our standard of living, is the best so far devised.

Truth Wins In The End

American business should be in a position to refute this malicious calculated propaganda, even remedy its ill effects so that its policies and pur-

poses may be properly interpreted and, where justified, understood to be right and proper in the eyes of society.

Falsehood and misrepresentation can only be successfully combated by plain unvarnished truth, which in the long run always wins. Unfortunately, the nation's business cannot afford to let the "mills of God grind slowly", for, truly, they grind too slowly to be helpful in the present circumstances. Business cannot proceed too leisurely in making friends, lest the opposing forces completely undermine public confidence in the integrity and usefulness of American business.

The Time Is Now

Now, perhaps more than at any other time in history, business should raise its sights and present its fundamental case by intelligent, constructive planning in the field of public relations. It must tell its story and win friends as regards "the right further to serve and grow and achieve — the proper relationship with government and government with business—a clear understanding by the people of the functions of business so that business can do more for the people—provide a higher standard of living—better wages —a richer and fuller life".

To do so, business as a whole, individual businesses and individual businessmen need efficient public relations counselors, not merely "publicity men". Press clippings will not suffice; there must be competent consulting advice on the proper way to interpret basic economic factors, and the reactions and effect of corporate policies on mass psychology, and in turn, on society in general.

Narrow Vision No Longer Sufficient

American business must broaden its views. Business leaders must realize that not every strike is due entirely to the machinations of a labor agitator, or a consumers' boycott on the initiative of a wild-eyed reformer. Many of these costly industrial blunders are caused by the stubborn insistence of a corporation executive who would rather fight than settle and who believes favorable public opinion can be immediately created for his side of the proposition over night by inserting full-page advertisements expounding his point of view in leading newspapers.

Corporation executives could learn much in the handling of public relations from the Chinese who pay the doctor in advance to keep the individual healthy rather than call him in only when the patient is seriously ill or dying.

Some far-sighted business leaders do use the "Chinese doctor" policy. They view good public relations as an important day-by-day activity. They build up an acceptance, over the years, of a justification for their existence; they are consciously alert to interpret their business in terms of human usefulness. In time, the institutions headed by these wise business executives take on a character and personality that make them appear warm, human, and socially useful in contrast to the ogre-like, cold conceptions of concerns which overlook this highly important duty to themselves, their stockholders, their employees and the public.

The Public Is Judge

American business, whether large or small, cannot afford to ignore public sentiment. No less an astute judge of human nature than Abraham Lincoln said, "Public sentiment is everything. With public sentiment nothing can fail. Without it, nothing can succeed. Consequently he who molds public sentiment goes deeper than he who enacts statutes or pronounces decisions—he makes statutes and decisions possible or impossible to execute". That statement was true in 1860; it is true as gospel today; and it will be equally true for countless years to come.

The great job ahead is the rehabilitation of the American Commercial system in the eyes of the American public. This is a difficult task requiring all the ingenuity, sincerity, and vision which our industrial leaders can marshal in its behalf. It may well prove to be the major job ahead for business to tackle and to handle.

It should be clearly understood that circumstances and political propaganda have made it necessary for American business to explain itself to a public that has been taught to be suspicious of explanations that come from business. Thus the influences that have made it necessary to explain business have also made more difficult the job of doing so.

The job of preparing explanations of American business is no problem. **The facts are available** and merely require arrangement. When they are added together and weighed, they are favorable to business. The problem is to find a way to assure the public that the facts are credible.

No One Way Enough

It is doubtful that the facts about business can be made credible to all segments of the public by any standardized procedure. Facts that are accepted as credible under one condition are rejected as incredible under other conditions. Truths that are self-evident to one group are regarded with skepticism by other groups. Care and great skill will be needed to specialize the story for each group so that the process does not degenerate into one of merely "reconverting the converts."

Resorting to lobbying bureaus, making heavy campaign contributions, and the lavish wining and dining of the right people are certainly not the proper way to win and build lasting good will. These pressure tactics, the behind-the-scenes methods heretofore so frequently used by some sectors of American business, tend only to sour the public and increase its feeling of suspicion.

A more ethical, democratic, and practical procedure, must be followed. A disarming frankness and a universal impression of sincerity based on telling the truth in a straight-forward manner is essential to success.

Publicity Has Its Place

Thus, in the rehabilitation of the American business system in the eyes of the American public, publicity and paid advertising will be of enormous importance. It may be that, whereas these modern promotional tools have heretofore been devoted primarily to selling products, they will henceforth be used more for selling ideas. Perhaps the big idea American business will have to sell will be economic education.

Impractical? Too costly? Never done before? Quite true. But remember the wise skipper throws some of his cargo overboard when

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YOUR ALLY, THE SALESMAN

Credit and Sales Cannot Do Without Each Other

by **DR. THEODORE H. SMITH**
Associate Director of Sales Research
SERVEL, INC.
Evansville, Indiana

Today Credit Managers, like Sales Managers, have a feeling of frustration, and frustration is destined to be the order of the day until the boiling labor pot simmers down. Business, however, will continue to operate in a period of turbulence and emergencies as long as we have unprecedented demand and hamstrung supply.

We all know it isn't a question of getting sales today or a question of credit; in fact, if I have sensed the situation correctly, the problem of credit evaluation today is disturbingly academic in most men's minds.

Business Lull Gives Time For Thinking

Never before in our history have we, as a nation, had

1. As vast an accumulation of cash reserves and as much credit.
2. As high a national income.
3. As low inventories, resulting in unprecedented demand.

As realists we recognize the current situation, and these fortuitous circumstances give us time to look out beyond our own backyard and permit us to think about improvements in our departments—how we can broaden our activities and so strengthen our individual positions and increase our stature.

The longer one studies business, the more one realizes its complexities. In tackling the problem of the relationship of sales and credit, I realize that it is necessary to have a clear picture of both the Sales Manager's and the Credit Manager's jobs, and how they are related.

Requisites of Today's Sales Manager

Today's sales manager must be well educated and thoroughly informed, an executive and a dynamic leader of men. He should be able to work with top management in developing and following through on company policies and be able to team up with his sales organization.

In addition to the above he must have knowledge of ten other qualities, each starting with the letter "S",

1. Scientific selection of salesmen
2. Sales training methods
3. Supervision and control methods
4. Sales promotion and advertising
5. Showmanship and visual selling
6. Stimulation of salesmen and understanding of human relations
7. Speaking ability
8. Statistical knowledge of modern research
9. Setting quotas
10. Sensing and using the assistance of the production, accounting, and credit departments of his business.

Requisites of Today's Credit Manager

Based on these, the Credit Manager's job, which presumably deals only with the three "C's"—Character, Capacity, and Capital—is an easy one. But the Credit Manager's job has expanded, and ten more requisites starting with the letter C are necessary today.

1. Cooperation with the Sales Department by counseling with it on practices and policies.
2. Consideration of Consumer viewpoint.
3. Comprehension of competitors' credit policies.
4. Counseling with accounts.
5. Collecting credit data, keeping adequate credit histories of accounts, and keeping the Sales Department aware of the status of accounts.
6. Conditioning the Sales Department and the accounts to any change of credit policy.
7. Climate control in regard to keeping accounts warm and friendly and keeping a weather eye out for changing economic conditions.
8. Centralizing authority for the final decision.
9. Controlling credits through cost analysis—percent of loss the company can afford to sustain.
10. Charting your course not only for today but tomorrow.

An analysis of the ten additional C's shows that many of these tie in with the Sales Department's activities. The immediate accomplishment of all these objectives is generally impossible, but it should indicate other fields which may be profitable to explore. Which of these points you may decide to develop will depend upon you, your interests, and the needs of the company you serve.

Every Credit Man Says His Job Is Different

When one seeks to generalize on any business activity, be it a production manager's job, a salesmanager's job, or a credit manager's job, one invariably hears the remark, "But my business is different." To my

mind the fact that your business is different makes it challenging, for it is this difference which makes your job more than that of a mechanical clerk; it is the thing which gives any job standing, and affords an opportunity for accomplishment. This difference is certainly one of the major reasons why my company has a Market Research Department and why I have a job in Market Research. Any experienced credit manager could with little trouble give me ten reasons why credit men's jobs vary. I'm sure that these differences have been repeatedly aired in credit men's meetings.

Bank Credit & Trade Credit

Having spent the past three years with the Board of Governors of the Federal Reserve System as one of the policy formers on the question of Regulation W, I have been deeply interested in the banker's attitude toward the extension of credit. Today, with deposits exceeding current demand for loans, he is naturally seeking new outlets for these funds. In this endeavor I should hardly say that he is, or even plans to be, sales-minded in the sense that one understands that term—that is, to help sell the product of one's manufacturer or distributor.

I do not want to appear unappreciative of the banker and the place he plays in our society. I visualize him as growing, not declining, in importance. Business specialists are being added to bank staffs. The banker is studying the needs of businesses, and to aid him the Federal Reserve Banks have developed research staffs and field men who counsel with bankers and business men.

Mercantile Credit Will Expand Too

A credit manager should view this as a new challenge, for if he is alert, he can readily sense his advantageous position inasmuch as trade credit or mercantile credit is likely to expand even more than bank credit. He must not forget that the banker is in a fiduciary position, lending money which is not his and funds over which he exercises a trusteeship. Further, he must conform to federal and state laws and is constantly subject not only to the credit committee of the bank but also state and federal investigations. These factors, combined with the limited knowledge which bankers can acquire on specific businesses force the banker to rely largely upon the balance sheet and profit and loss statements of those seeking credit. Here the credit executive has the advantage: he knows the business of his customers, he should know their potentials; in brief, he has his finger on the pulse, he has that indefinable feel or sixth sense which should guide him.

This sixth sense is the result of his close contact, and is frequently strengthened because his customer has felt free to open up and has often been glad to tell him what he wanted to know.

Should the Credit Manager Be Sales-Minded?

The general impression of the term "He's sales-minded" as applied to the credit manager is that he is liberal in his policy of extending credit. Liberal, yes, but he should be intelligently liberal. Every Credit Manager is confronted with the question of the acceptance of marginal business, and its acceptance or rejection is predicated on the optimum percentage loss his business can absorb. This varies from business to business, from the minimum loss which a banker can absorb to the maximum that a high-priced specialty concern can handle and still show a profit. But to eliminate as much of the speculative element as possible the credit manager must make a careful study of the listed ten C's and adjust his credit extension to marginal business predicated on this information.

The heavy dependence of many customers on the credit man for financial assistance to carry on is likely not to be the only demand made upon him. Many of his customers may need managerial aid. A good illustration of this is the help many large manufacturers and distributors are giving their customers, as, for example, the automobile manufacturers and the wholesaler-sponsored cooperative grocery chains. For some years the larger automobile manufacturers have sensed that in order to continue they must have profitable retail sales outlets. To accomplish this they have made market studies, selected dealers more carefully and offered counsel on accounting and credit procedures—they know their customers and are building them up.

Wholesalers Offer Services

The wholesale grocers, for example IGA and Clover Farms, offer their customers various managerial services, including advice on credit granting, in order to help insure the profitable operation of their outlets. This is not paternalism—this is pure self-interest.

The life blood of these and many small businesses is supplied through the credit of manufacturers and distributors. Today Washington is dramatizing the small business man and striving to find additional ways and means to help him. This cause is worthy and I find no fault with such a program, but the most important help does and should come from credit men. They are the coaches; they are specialists in a special line; they know their market and in many instances they should know their customers' markets.

Something that happened in our organization just a short time ago may serve as an illustration. Several weeks ago Kiplinger's letter called attention to the large number of new entrants into the field of retailing household appliances with a forecast that probably 40 per cent would subsequently fail when the first flush of business subsided. Our Sales Manager, Mr. George Jones, counseled on going slow in selecting new dealer outlets, based on the sound conviction that failures boomerang against a company. Some of the rest of us are also of that opinion and with the help of our credit department we expect to select carefully any new dealers and only those which appear to have reasonable assurance of success after the cream has been skimmed.

I feel our responsibility goes farther than this, and I hope to see our organization develop many other measures and aids.

Are You Hiding Your Light Under a Bushel?

Unlike Government and Labor leaders, business men frequently fail to dramatize these services and the

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SECURITY AIDS IN SELLING

Subordination Agreements—Credit Insurance

by CARL B. EVERBERG, LLB., LL.M.
Special Writer on the Laws of Trade

A credit manager is wary of the area of so-called "borderline" cases in the credit field. One of the purposes of this series of articles has been to point out legal devices by which a supplier's position can be made more secure in these cases. One such device is known as the Subordination Agreement, a useful credit tool where the conditions of a case calls for its employment.

Such conditions loom up when a credit man is examining the balance sheet of prospect A corporation and he finds under the "Liabilities" side items of substantial amount such as "Due Officers" or "Due X Corporation on loan," etc. An inquiry as to the background of these liabilities reveals the fact that so far as the indebtedness to officers is concerned the corporation owes some of its officers either accumulated back salaries or money for loans made by them to the company. With respect to the amount due X Corporation it is disclosed that X Corporation is a parent company of A Corporation and has made loans to the latter.

A Bad Credit Risk?

In either case he finds the facts show that these liabilities are to be classified as "quick" or "current" and therefore from a legal standpoint the assets of the firm are vulnerable to a demand or suit for their payment. An unsatisfactory account. To extend credit in view of this heavy internal indebtedness would be unsound.

Yet—other factors as reflected in the P. & L. statement show that this corporation is making progress; that its operations are profitable. Further, the principals in the company represent high integrity. Is there then not some solution? Yes, here is a typical spot for a subordination agreement.

The subordination would consist of the supplier granting credit to A Corporation with the understanding that A's indebtedness to officers or to its parent company, would be legally deferred (subordinated) until the obligation arising out of extension of new credit were fully discharged. To accomplish this a three-cornered agreement is necessary, viz: (1) between the supplier of credit, (2) the A Corporation and (3) the officers (or parent company).

Simple Arrangement

In a subordination agreement we find the simple fundamentals of the ordinary contract. B, the supplier, stands ready to ship merchandise to A Corporation if A Corporation will promise to postpone paying any of its indebtedness to its officers, stockholders, parent company (any or all of whom we will designate X) until B is fully paid. As in all contracts a valid consideration is necessary to make such promise binding. But the extension of credit is sufficient consideration, for no supplier is compelled to extend credit to any one even though he has previously given a line of credit to a buyer of his merchandise.

The transaction however is not yet complete. We will say that A Corporation is perfectly willing to postpone paying X till B is fully paid. But X has something to say about this. He still has a claim which he can enforce by suit. No agreement on A Corporation's part can deprive him of this legal right. Hence it is essential that X consent to the arrangement. But X is invariably ready to do this because of the practical sameness of interest between the officers, stockholders, etc. of A Corporation and the corporation itself. In other words X is ordinarily agreeable to have the indebtedness due him (them) deferred, or subject to the indebtedness to B, because he is willing for the time being to treat the money loaned, or owed to him, as capital investment. X's forbearance also furnishes the consideration on his side for the benefits of B's extension to A Corporation.

Sample Agreement

Now the agreement in question should for the best interest of the supplier, take the form of offer and acceptance. No supplier would care to actually bind himself in a written contract to extend credit. He would prefer to receive a standing proposal from the officers and customer corporation upon which he might act or not as he chose, any time before revocation of the offer.

Such an offer might be submitted according to the following:

Boston, Mass.
May 1, 1946.

Brown & Company
Cleveland, Ohio

If you will ship merchandise to the A B C Corporation of Boston, Massachusetts, upon such credit terms as are satisfactory to you, we, David E. Franson, George H. Ives and John K. Lowe, for value received, being officers of the A B C Corporation and having claims (as set forth below) against the said corporation, agree to subordi-

nate any and all such claims to any indebtedness owed by the corporation to you by reason of such extension of credit.

We agree to receive no payment on our claims until any such indebtedness to you is paid in full, and we further agree that in the event of liquidation of the A B C Corporation, any indebtedness from it to you is first to be paid before we participate in any distribution on our claims.

The A B C Corporation being desirous of obtaining credit from you also joins in this proposal and in consideration of the benefits to be received, agrees that it will not in contravention of the agreement of the officers to subordinate their claims, make any payment to them on their claims while there is any indebtedness due you from it.

Claims of officers as follows:

David E. Franson	$5000.00
George H. Ives	3500.00
John K. Lowe	10,000.00

Respectfully submitted,
A B C CORPORATION
By......................
President

....
....
....
Officers.

Other Creditors Share Benefits

The supplier when shipping to the A B C Corporation should notify both the customer and the officers to the effect that goods (of such-and-such amount) are being shipped in furtherance of the subordination offer. The invoices might well also be stamped with a legend to the same effect.

Any other creditor furnishing credit to the A B C Corporation in absence of a similar subordination arrangement would not be entitled to the same benefits. In order to gain such advantage any other creditor would have to receive a subordination proposal. However, the original subordination offer (such as set out above) can be made general so as to embrace other suppliers by stipulating that the offer is made to *all* creditors who will ship merchandise to the A B C Corporation in furtherance of it.

A supplier who then wishes to take advantage of the subordination offer must actively take steps to indicate reliance upon it. He should acknowledge to the parties making the offer that he knows of its existence. Subsequently or at the same time he should also give notice to the customer and officers when shipping merchandise on order of the debtor, by letter and/or legend on the invoices, that the goods are being shipped in furtherance of the subordination offer.

Credit Insurance

Some insurance companies furnish credit executives with guarantees on credit transactions. These guarantees technically called credit insurance policies are issued for a cash consideration—the premium.

Now when the average credit man feels he needs credit insurance he is usually thinking of some individual credit risk which needs strengthening. But the insurance company's perspective is ordinarily different. It prefers to issue a general policy covering a comparatively large number of accounts. The reason for this difference lies in the "buffers" which the general policy affords the insurance company.

A general coverage policy increases the premium. While the *number* of risks is increased by a general policy the insurance company gets more money with which to pay losses while the hazard increases comparatively little, the whole insurance being spread over the better quality accounts.

The principal buffer in the general policy lies in the "normal" or initial loss which must be borne by the policyholder before the insurance company becomes liable. In the conventional individual debtor policy on the other hand there is no normal or initial loss, though the insurance company fortifies itself somewhat by co-insurance of a greater or lesser percentage according to its judgment of the debtor's financial stability.

Credit Insurance Still Young

Credit insurance is a relatively new branch of the insurance industry and remains as yet in swaddling clothes. Undoubtedly it will attain full stature in time to come, but it will have to be made more indispensable than is now the case. One of the handicaps to full growth and development has been the lack of precise meaning of the casualty against which it purports to insure. This casualty is described in the policies as "loss through insolvency" of debtors.

Under a special heading, "Insolvency Defined," some 12 to 14 statements are made defining what should be regarded as insolvencies for the purpose of insurance. These definitions are peculiar. Some of them may be said to come within the legal sense of insolvency while others do not. For example, in the general forms of policies a policyholder may if he wishes, by the mere filing of an unpaid account before it is a certain number of days past due (usually 60, 70, 90 according to the particular type of policy), create an insolvency. The debtor may be far from actual insolvency under the usually accepted notion of the term. While this may seem to be an exceedingly liberal feature in the policy many policyholders do not care to invoke this optional privilege of creating claims under the policy because of the probability of the policyholder losing a customer's good will when assault is made upon him by the insurance company or its attorneys for collection while the account is only moderately delinquent.

Insolvency Defined

What then if the policyholder chooses not to create this artificial insolvency by early filing. He has more forms of insolvency (which must occur during the policy year) as defined in the policy under which to make his claim for loss. Briefly they generally consist of: the filing of a bankruptcy petition or relief proceeding in bankruptcy; a general offer of compromise by the debtor for less than his indebtedness; the appointment of a receiver for the debtor; a sole debtor dies or becomes insane; a recording of or taking possession under a chattel mortgage given by the debtor to a creditor or creditors; an attachment or execution against a debtor's stock in trade; a writ of execution against a debtor returned unsatisfied; the debtor transfers or sells out his stock in trade in bulk; a debtor absconds; the stock in trade of a debtor is sold under a writ of attachment or execution; a confession of judgment is

made by a debtor; a debtor's business is assigned to or taken over by a committee appointed by a majority in number and amount of his creditors.

Some of these definitions are certainly more liberal than insolvency in the legal or popular sense. If a debtor dies it does not for any other purpose than for credit insurance, necessarily mean insolvency. The debtor may have died with an abundant estate to satisfy all debts. Similar comment may be made concerning others of these defined insolvencies.

Definitions Cause Confusion

But suppose a policyholder waits in vain till the expiration of the policy and none of these things have occurred. If he has filed his account claiming insolvency but none of the technical insolvencies as defined in the credit insurance policy have occurred, the insurance company may well reject the claim. The debt may be as uncollectible as the moonbeams on wet grass and "broke" in every sense but if the account has not qualified under the optional provision nor under any of the other technical definitions, the policyholder may have no protection.

Much misunderstanding has arisen here. And the courts have had to be called to do some interpreting. If the insurance companies intended by the enumeration of the 12 to 14 insolvencies to limit coverage to those specific instances and to none other, they have found the courts cold to such notion. The Pa. Supreme Court in a recent decision (351 Pa. 34) brought to date the attitude of a previous line of decisions coming from several different states to the effect that the parties to a credit insurance policy understand that a debtor is insolvent when he is unable to meet his obligations in the usual course of business. Whether all courts would follow this line of reasoning is not known but at least those who have spoken insist that the definitions of insolvency contained in the policy and enumerated under the heading "Insolvency Defined" should not be deemed to limit this general insolvency but on the contrary they should be considered as expanding the ordinary motion of insolvency.

Another Example

An earlier Pa. case (98 Pa. Sup. Ct. 144) decided a case in which a credit insurance policy expired Dec. 31st of a certain year. A claim had been filed near the end of the year against a debtor in straitened financial circumstances but not insolvent according to any of the definitions in the policy. Yet two days after the expiration of the policy a petition in bankruptcy was filed against him. Here they had an insolvency as defined by the policy but it occurred *after* the policy had run its course. Nevertheless the court said that the definitions of insolvency under a policy "do not restrict or narrow the usual or ordinary meaning of insolvency but extend and enlarge it." Pointing out that some of the acts enumerated as insolvencies would not amount to the ordinary meaning of insolvency the court further said that they could only come to the logical conclusion that the debtor was certainly insolvent whether in the popular or legal sense before the end of the policy year and therefore the claim came within the coverage of the policy.

The case in 91 Md. 244, 46 Atl. 328, dealt with the insurance company's point that the claim in question was not covered because no insolvency as defined by the policy existed. The court said that the insolvency against which the policy insures should mean insolvency as understood by merchants. If this is not the case the policy should clearly and unequivocally manifest a different purpose. Against the argument of the insurance company that the defined insolvencies in the policy limited the notion of general insolvency the court replied that these definitions far from narrowing the meaning of the term "insolvency" only constituted evidences of insolvency. If it could be found that the debtors in question were unable to pay their debts as they fell due in the ordinary course of business they were insolvent, said the court, and therefore the claims filed under the policy were covered.

Broad Interpretation

The Court of Appeals of N. Y. in 166 N. Y. 416, 60 N. E. 24, held that the insurance contract is not to be interpreted technically, but the language must be held to mean what the words import to the commercial world. An execution was returned unsatisfied (this being a defined insolvency) but it was returned 3 days after the expiration of the policy. The insurance company stood on the ground that the insolvency did not occur during the term of the policy. The court said, however, that the return of execution does not constitute the main fact of insolvency but is simply evidence of the fact, and stated further that if the insured could show that the execution had been returned unsatisfied there was a compliance with the terms of the policy.

This court added that if a policyholder is compelled to sell goods, sue, recover judgment, issue execution and have it returned all within some portion of a single year to avail itself of the idemnity in the policy, then the indemnity is short of what he should reasonably expect.

Companies Re-Word Policies

The court in this erudite opinion did venture that a policy of credit insurance could well include an express condition that the insurance company *will not be liable* unless an execution is returned before the date of the expiration of the policy. A court in such case would have to construe the policy in favor of the insurance company.

This decision, as well as similar ones, evidently persuaded some of the companies at least, to include verbiage in the policies which would accomplish that very result. Perhaps all policy forms now contain some such sort of defeasance phraseology in the insuring portion of the policy. For example where the loss covered is "due to insolvency, *only* as hereinafter defined, of debtors," the word "only" seems significantly designed to overcome the effect of the court decisions mentioned above.

But if the casualty for which the insurance is purchased should thus have to be contracted by skillful manipulation of words so as to be proof against court interpretations favoring the policyholder, how much value does a policy have? Would it not seem that an insurance company should make its protection more nearly fit a policyholder's need?

That it might increase the hazard

and jeopardy of credit insurance companies is not to be denied. All "uncollectible" accounts, whether filed before or after 90 days past due would enter as claims for adjustment under a policy. But this factor ought only to enter into the rate structure. If the loss ratio were materially increased as a result of the inclusion of such "uncollectibles" some adjustment of the premium rate might be reasonably indicated. Yet the loss ratio in credit insurance in the last 10 years has been such as not to give the underwriters any too much anxiety on this score.

Companies Could Take Charge

If insurance companies would broaden their policies so as to embrace "uncollectibles" of all kinds, they would be well within reason in requiring that the accounts to qualify for adjustment under the policy be left exclusively with the insurance company for attention and collection. Under most forms now in use the claims need not be filed for collection and attention until after knowledge of an insolvency is acquired (meaning that other agencies, attorneys, etc. may handle them up to that point). Furthermore the insurance company alone should have the prerogative of declaring an account "uncollectible" with some compulsion to make this report within some stated and reasonable time after the claim is filed with the insurance company for collection.

As matters now stand attention may be called to one of the defined insolvencies in credit insurance policies which ought to be amended so as to afford a broader protection to policyholders. Reference is made to the insolvency which consists of a "debtor's business" being "assigned to or taken over by a committee appointed by a majority in number and amount of his creditors." Why must the debtor's business be actually assigned or taken over by a committee? Frequently a creditors' committee merely supervises a debtor's business. The debtor's degree of insolvency generally has nothing to do with the powers given to the creditors' committee. Whether the business is assigned or whether the creditors' committee merely acts in a supervisory capacity is a question resolved amongst the creditors them-

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WARA has Prior Claim In Event of Bankruptcy

The United States Government is selling surplus properties and merchandise to the public on an unsecured credit basis. As more goods are declared "surplus" these credit sales will increase, with estimates as to the ultimate amount running into billions of dollars.

In the event that a business concern owing money to the Government for such purchases becomes insolvent or reorganizes through any of the several methods available, would the U. S. Government be entitled to a priority and receive payment in preference to other unsecured creditors? The Research and Survey Committee of the New York Credit Men's Association has sought advice from Gerdes & Montgomery, the Association's counsel, on this question.

The New York Credit Men's Adjustment Bureau, Inc., realizes the important effect which this subject bears to the payment of dividends from the estates of insolvent or involved customers. It believes also that it may enter into the determination of credit executives in extending lines and terms of credit to customers who purchase surplus goods.

Surplus materials and properties are available to the public through three principal sources: The R. F. C. (capital goods), the War Assets Corporation (consumer goods) and directly from Government Departments in the termination of contracts. (In this latter procedure, goods taken over by the Government are offered first to the original contractor, then to the public and finally, if still unsold, are turned over to either the R. F. C. or its subsidiary, War Assets Corporation.

Legal opinion is uncertain as to whether the R. F. C. or War Assets Corporation would have other than general, unsecured claims in insolvency proceedings, principally because they are stock corporations and not Government agencies or departments, even though all capital stock is controlled by the U. S.

However, President Truman has announced that, beginning on March 25, 1946, all sales of Government owned surplus goods (except sales in foreign countries) will be taken over by a new *administrative department* of the Government to be known as War Assets Realization Administration.

Therefore, we believe that the opinion of Gerdes & Montgomery, as quoted hereinunder, is timely and interesting:

"Section 64-a (5) of the Bankruptcy Act grants a priority to 'debts owing to any person, including the United States, who by the laws of the United States is entitled to priority.'

"The priority thus granted is subordinate to costs of administration, wage claims, expenses incurred in causing the refusal of a bankrupt's discharge, or the confirmation of an arrangement or wage earners' plan, and to taxes due the United States, or any state or subdivision thereof. *"However, a debt owing to the United States is clearly entitled to priority as against the claims of general creditors.*

"Effective February 1st, President Truman, by Executive Order, transferred all functions of the Surplus Property Administration, except for property outside the continental United States, to the War Assets Corporation. On March 25th, the War Assets Corporation will be succeeded by a War Assets Administration, separated from the Reconstruction Finance Corporation, headed by an administrator and made part of the Office for Emergency Management of the Executive Office of the President. Thus it will become a separate agency directly responsible to the President to exercise consolidated functions relating to the disposal of domestic surplus property.

"It, therefore, appears that all domestic surplus property will be offered for sale by an administrative agency of the Government. *Thus, there would seem to be no doubt that any claim on behalf of such an agency would be a claim of the United States and, therefore, in the event of insolvency entitled to priority* under the provisions of section 64-a (5) of the Bankruptcy Act, or under Sections 3466-3468 of the Revised Statutes of the United States."

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BANKS AS A TERM CREDIT SOURCE

Small Business Aid Provided Under New Plans

by **RALPH G. HOLSTE**
Vice-President
CENTRAL TRUST COMPANY
Cincinnati

The problems of the smaller business concerns in the reconversion period are very much akin to those of their larger contemporaries but for several reasons are more difficult of solution.

The cost of public financing through Investment Banking channels is usually prohibitive for amounts less than $250,000 and consequently the smaller business enterprise faces a more difficult problem in obtaining the necessary amount of Equity Capital. Commercial banks cannot supply this capital for the very good reason that they are in the main employing their depositors' funds and cannot endanger the safety and liquidity of such funds. Equity Capital should be supplied by private investors who are able and willing to assume the risk of this type of financing and the investors should have the opportunity of sharing in the profits if the enterprise is successful. Efforts to obtain Equity Capital which will assume the risks attached, without allowing such capital to share in the profits, comes under the heading of trying to "eat your cake and have it, too." I doubt that anyone will ever find a satisfactory solution to this. In most instances, any smaller business of real merit, backed by capable and energetic management can obtain equity capital from private investors if a diligent effort is made and if it is sought on a proper basis. Banks can, and often do, assist smaller business concerns to contact private investors who are seeking capital investments of this nature.

Supplemental Financing

The major and more common financing problem of smaller enterprises in the reconversion period will not be the obtaining of Equity Capital, but will be obtaining supplemental financing of a short term or long term nature. During the war years when the output of civilian goods was severely restricted and taxes on profits were high, many smaller companies were unable to increase their working capital by any substantial amount and many of them have actually emerged with less working capital than they had at the start of the war. During these same years there has been piling up a backlog of demand for many goods and commodities which were unavailable or available in limited quantities while the nation was engaged principally in production of war materiel. This means that many smaller business concerns will be called upon to produce and distribute an abnormal volume of goods and commodities until this backlog is caught up. This volume will often be greater than can be financed by the companies' own working capital and, in many instances, supplemental financing will be required in amounts greater than can be obtained on the usual plain note basis. The banks of the nation are ready to meet this requirement wherever and whenever such financing can be done with reasonable safety to the lender.

Loans On Assignment

Where the abnormal reconversion volume requires the carrying of an abnormal amount of Accounts Receivable, loans can generally be arranged on the assignment of the receivables. The laws of most states recognize this method of financing and prescribe the proper legal procedure. Loans of this kind can often be handled without the borrower's customers being notified of the assignment of their accounts and the accounts are collected in the usual manner by the borrower acting as agent for the bank. By this method, the company is enabled to "cash" its sales as soon as goods are shipped and it is relieved of the financial strain of carrying a large amount of accounts receivable. Loans of this kind are self-liquidating and increase and decrease with the fluctuation of the Accounts Receivable balances.

Where the handling of an abnormal reconversion volume requires the carrying of abnormal inventories of raw materials or finished products, loans can generally be arranged on the pledge of such inventories by the use of Warehouse Receipts. The inventories so pledged may be stored in a Bonded Public Warehouse or they may be stored on the borrower's premises under a Field Warehousing arrangement. Most banks are familiar with this type of financing and will readily accept this type of collateral. Loans of this kind are also self-liquidating and increase and decrease with the fluctuations of inventories.

Where the carrying of abnormal Receivables and Inventories are both major problems, loans can usually be arranged on the assignment of receivables and the pledge of inventories.

Loans For Expansion

There are certain businesses where inventories are a minor item and sales are for cash or on a very short term basis. Such businesses may require funds for moderate plant expansion and financing abnormal pay-

rolls during the reconversion period. Loans may be arranged with banks in this case on a term basis under a Loan Agreement which may provide for dividend and executive salary limitations, restriction of capital expenditures, maintenance of a minimum net working capital and other covenants which the circumstances may require. Loans of this kind are expected to be repaid from future profits and applications for loans of this nature must be accompanied by a comprehensive and accurate forecast of cash requirements and operations for the years during which the loan is to be outstanding. Such loans may be secured with a mortgage on plant and equipment or the Loan Agreement may provide that no mortgage may be given to others or capital assets disposed of.

One of the major weaknesses of many smaller business concerns is their inability to present to their bankers sufficient information concerning their operations to enable them to intelligently appraise the risk involved. This is often due to insufficient records kept by the applicant and often even when the records are adequate, management is unable to properly assemble and present essential information. No banker can make loans blindly and he must be supplied with sufficient facts and information on which to base an intelligent decision. In the absence of necessary data, applications for loans which may actually be sound are often declined and properly so. The larger companies usually maintain comprehensive records and employ personnel to prepare and present essential information in a readily understandable manner. For this reason, they usually have less difficulty in obtaining financing than the smaller companies. Smaller companies may find it profitable and advantageous to employ capable Public Accountants and Business Consultants of recognized standing if they are unable to employ such talent as permanent members of their organizations.

"One Man" Problems

Another major weakness of many smaller companies is the "one man" feature of the management. Where the continuance of a business is solely dependent upon the uncertainty of the life of one man, the hazards to a prospective lender are usually too great to permit financing to the degree which the business itself would reasonably justify. Wherever possible, the "one man" company should strengthen its management organization to assure the continuance of the business in the event of the death of the "one man."

There are, of course, many smaller business concerns, who meet all of the requirements enumerated in the foregoing and who will have no difficulty in obtaining financial assistance from their banks during the reconversion period. There are many others who will find aid from banks more readily obtainable if they correct management weaknesses and improve their system of records and presentation of essential data. I am sure that the banks of this nation are ready and willing to assist smaller business in the reconversion period wherever they can do so intelligently and with reasonable safety.

Credit Men Differ On Need For Extending Regulation "W"

An interesting survey, recently conducted among retail credit men by the *Women's Wear Daily,* reveals an astonishing unanimity in praise of Regulation W during wartime, but a sharp divergence of opinion as to whether it ought to be prolonged. Those calling for removal of the Federal Reserve ruling feel they are qualified to judge the worthiness of their accounts. However, there are many who claim it should be continued in view of the low loss rates and ease of collection enjoyed under the regulation.

The results of the survey, very much condensed, are as follows:

St. Louis: On the whole St. Louis wants the regulation to go—at once. They want to run their own business in their own way, using their own good judgment. When competition becomes keener they want to be in a position to meet it. As things are now, they say, anybody is able to approve credit.

They want to develop some kind of voluntary credit policy, but there is a fear that such an action might make them liable to Government action under the anti-trust laws.

Cincinnati: Here the retail Credit Men advocate removal of regulations on 30-day accounts; each account, they say, should be established on its own merits. They agree, however, that the regulation has instilled in their customers good paying habits and gave the stores rapid turnover of accounts receivable.

Oklahoma: The regulation is in high favor in Oklahoma City, and the general attitude is that it should be continued in force for at least another year. The Credit Men feel that the importance of the credit department will increase as merchandise becomes again plentiful, and it is felt that, when the government removes its curbs, some plan must be formulated by which the coming generation may be educated in the evils of over-charging and the need for paying their charge bills before the 10th of the month.

Philadelphia: The retail men of Philadelphia have a plan of their own which they would like to see adopted in the event that Regulation W is rescinded. The plan includes fixed down payments and limits to terms on a sliding scale according to the type of article purchased. For instance, on durable merchandise—furniture and so forth—there would be a minimum down payment of 20 per cent and a maximum of 18 months in which to pay off the balance. On jewelry, radios, etc., the terms would be 20 per cent and 12 months; on clothing under $100, one third and 6 months; on clothing over $100, one third and 12 months; on large household appliances 20 per cent and 18 months; pianos 20 per cent and 36 months; merchandise of over $1,000 value would be subject to special terms.

In addition to fixed down payments and terms, the Philadelphia retail men advocate a ban on advertising the actual figures involved in down payments and monthly payments. "Budget terms," "terms to fit the purse" or "most liberal terms arranged" would be permissible, but "$10 down and $1.50 per week" would be out!

"WHITE COLLAR" JOB EVALUATION

Hints On How It Can Help Management

by **GEORGE BIRNEY**
Job Evaluation Division
LABOR RELATIONS INSTITUTE
New York

The use of sound engineering principles as a means of establishing fair rates of pay has been confined to factory jobs for a long time. Even as late as five years ago, job evaluation—an engineering method for grading work in accordance with skill, responsibility and effort so that employees doing similar tasks rate the same salaries—was rarely even mentioned outside of strictly industrial precincts.

That job evaluation has been successful in the factory as a medium for ironing out pay inequities and thus curbing employees' most frequent source of dissatisfaction is no longer a topic for debate. In fact a survey just completed by our Management-Engineering Staff reveals that 81% of the 5,000 companies queried either have a job evaluation plan in operation for their shop employees or are in the midst of installing one.

Idea Spreads To Include White Collar Workers

It was inevitable that a scientific procedure which met such wholehearted acceptance for factory operations would eventually make its impression on that segment of top management which handles white collar workers and their problems.

Today, while job evaluation for white collar employees is not nearly as widespread as it is for manufacturing, it is receiving far more attention than it ever did. Within the past year over a dozen top flight banking houses have had their white collarites' jobs evaluated by management engineers. And department stores have been equally aggressive in employing the skills of engineers to put jobs and rates on a balanced footing. Even as I write, a whole group of department stores in one of our largest eastern cities have pooled their resources and embarked on a job evaluation of over 12,000 retail and office routines. This kind of cooperative engineering is indicative of the interest executives have taken to overcome the hit and miss methods of wage and salary payments to office, clerical and technical employees.

Evaluation Pro and Con

But white collar job evaluation is a plunge management should never take without plenty of forethought and consideration. Executives should know the advantages, the pitfalls of the procedure.

What *are* the advantages of a job evaluation?

1. A job evaluation *will reduce labor turnover*. It's a personnel axiom that more employees quit because of discontent over their wage rates than for any other reason.

2. A job evaluation will permit you to raise some salaries which may be below standard. Yet in doing so *you need not necessarily increase your unit labor costs.*

3. A job evaluation will determine the actual requirements of all jobs and enable the personnel department to hire people who can more closely fit in with the necessary specifications.

4. Once an evaluation has been made, new positions just fall into line automatically, eliminating hit and miss rate setting.

5. If at some future time wage cuts become necessary, your job evaluation will permit you to put through decreases on a uniform basis, thereby avoiding the piecemeal method which can only bring employee discontent and possible union drives.

6. Employee grievances will be less of a problem because, under an evaluation system, workers doing tasks of similar skill, content and responsibility are paid the same rates. (That's why the charge of company favoritism is far less vocal in companies which have established a balanced salary structure than in others which continue to plod along with horse-and-buggy wage methods.)

7. No incentive plan—whatever form it may take—will operate smoothly if the jobs in the office or laboratory have not been evaluated. This is a bold statement but has stood up under the test of experience.

8. And finally, with a job evaluation installed as a permanent part of your operations, you will be able *to gauge your labor costs from year to year more accurately than ever.*

How To Go About It?

But once you have decided that a job evaluation is just what the "doctor ordered" you must give consideration to the question who should do your job evaluation. Job evaluation is heavily larded with enough complexities to take it out of the province of the novice, the amateur, the inexperienced. In short, it's a job for the specialist who has become well saturated with principles and

techniques. Experience is doubly important because job evaluation falls short of being an *absolutely* scientific procedure.

While it is the closest thing to an exact science available in the field of rate-setting, much still depends on the *judgment of the individuals carrying out the task.* For example, when it comes to determining a clerk's degree of responsibility, there is no infallible measuring-rod. But, by dint of his background and experience, the expert is in a better position to come closer to the truth because he can view the problem far more objectively.

That does not mean that the employer and his top personnel don't play important roles in getting a job evaluation to work. On the contrary the office manager and often the individual worker have much to contribute.

But it takes the objective eye of the professional to dovetail into a workable, practical pattern the collective knowledge of your key people.

Workers Are People

There is *one other point* to remember. And that is this:

Good job evaluation does NOT depend on sound engineering principles alone. The best engineered plan in the business will not work if proper consideration is not given to the human relations factors. Unless the employee is made to feel that job evaluation is NOT some newfangled device which will be a threat to his or her security, all the engineering "know-how" will be that much scrap.

But, most important, guard against adopting a job evaluation plan that is ill-suited to your needs. In the office, even more than in the factory, I believe that job evaluation must be tailored to the needs of the individual employer. As a management engineer, I have seen too many instances where a job evaluation plan has failed to produce the results that were confidently expected, because in setting it up recognition was not given to the special conditions that prevail. Time and again it has been demonstrated that job evaluation cannot be prefabricated. It must be cut to fit.

(*Continued on opposite page*)

THE THINGS WE SELL

by WILLIAM C. NORTH
Credit Manager
BREYER ICE CREAM CO.
Newark, N. J.

This is not a fairy tale composed for a business convention. It is not fiction. This is a true event and it shows how a touch of human interest in a cold business world may develop into a most practical and profitable business deal. It is the essence of goodwill, the real goodwill, the kind we mean when we say, "Goodwill toward men." In the vernacular of the Metropolitan salesman it would be called, "Here's how I sewed up the best contract of my career."

I was seated at my desk in the Credit Department when a routine sales report came through. It merely said, change name of John Jones to Mary Jones. John Jones had a charge account with us for more than fifteen years and always paid his bills promptly. Why was this change being made? I asked the sales clerk, she didn't know. I left a note for the salesman to see me the next time he was in the office. The following day he was in to see me. I told him I had noticed the change and wondered why it was made. His reply went something like this, "Oh, you don't need to worry about it. He doesn't owe us any money—I checked that." "I'm glad you did," I said, "but why the change?" "Oh, didn't you hear about it?" He went on, "dropped dead in the store—too bad, he was a heck of a nice fellow. One of those dealers you never have any trouble with." "Did you do anything about it?" I asked. "Sure," he replied, "I did everything; told her I was sorry, made the change of name to his wife, notified the Traffic Department that the store would be closed for a week, and told the Order Department when to call for her next order." "Did you send a card to his widow?" I asked. "No," he replied, "do we have cards like that in stock?" Then he whispered confidentially, "I thought of sending flowers but who'd O.K. the expense?"

The salesman was thorough with his details and his intentions were good. He had not asked about sending flowers and I thought he could have invested ten cents for a card. I decided to write Mrs. Jones a letter myself, and this is what I wrote:

> Dear Mrs. Jones:
>
> The sad news of the death of Mr. Jones has just reached me and I want to convey my personal sympathy and the sympathy of the members of our Company. We want you to know that Mr. Jones always conducted his affairs with us in a most satisfactory and cordial manner. We want you to know that we were proud to have his name on our books.
>
> To you, on whose shoulders falls the burden of carrying on, goes our sincere wish for a kindly and prosperous future.
>
> Sincerely yours,

A few days later Mrs. Jones called on me at the office. She said she wanted to see the businessman who took time out to be human and kind. She said that her husband had purchased from more than fifty companies various types of merchandise and that not one of these companies had made a thoughtful gesture as we had done. She said, "While I don't contemplate making any changes at this time, you can be assured that as long as I am in business your product will be sold at my store."

The moral or lesson in this story is obvious, but let me point out one thing for successful selling on a broad and long term basis. Keep that school boy idealism, let no one knock it out of you; for the cold-hearted businessman has only a limited market, but the market of the man whose heart is warm with human kindness knows no limitations.

One pitfall that has caught many management experts, as well as those who have tried to install their own job evaluation plan, is the failure to recognize the fact that the duties of white collar workers vary more widely than those of the average production workers. An industry-wide description can be given of a toolmaker which will accurately fit the duties of such workers in a number of plants. But a bookkeeper in one office may do little more than post, while in another she may have duties tantamount to office management. Stenographers and receptionists too may have widely differing tasks in different offices.

Duties Vary

Here are the steps that I have found basic in setting up all job evaluation plans:

1. *Job Description:* An accurate recording of the duties and operations involved in each job in the office is made. This is done by actually observing the task, and in addition by interviewing the worker and his supervisor.
2. *Job Analysis:* Each individual job is broken down into four key evaluation factors: *Skill, Effort, Responsibility* and *Working Conditions.* The evaluator determines how much skill or effort is called for, on each job, and later through a point scoring system assigns values to each factor.
3. *Job Rating:* Proper rates of pay can be established by comparing the relative difficulty or importance of each, as reflected in point scores.

Accurate Description Vital

The soundness of a job evaluation system may depend, I have found, largely on the care with which the initial operation of job description is performed. To illustrate the care which must be taken in getting adequate information on which to base a job description, I should like to call attention to the questionnaire below, which our engineers have used widely. This job description form calls for answers to 28 questions. The interviewer, in talking to employees, necessarily must have wide experience in uncovering special duties or unusual circumstances in connection with each job.

No questionnaire, however complete, could be expected to list the numerous factors which result in variations from normal job content. In some cases, there may be an element of irregularity of employment. In other cases, recognition must be made of the career prospects involved in "stepping stone" jobs, which lead quickly to posts of great responsibility. Finally, a job evaluation plan might prove impractical if it did not give weight to the market supply and demand situation for different occupations. Those are some considerations which indicate why the evaluator must be a man of balanced judgment and wide experience. Slavish adherence to a predetermined job description plan can destroy much of the value obtainable from sound job evaluation.

Scores Weighted

After the spade work has been done the chief task of the evaluator is to establish a point score for each of the factors which go into a specific job and then chart the rates for all operations. The chart below illustrates how an engineer would break down the point scores. Bear in mind that these figures apply only to a specific office and are not to be looked upon as having any universal application. Because every office has different problems—despite outward appearances—every office evaluation would necessarily have different points and factors to consider.

For example, the amount of education or training required for individual jobs may vary widely, and the point score may vary accordingly.

		Factor	*Number of Points*
Skill	1.	Education	100
	2.	Judgment	100
	3.	Experience and Training	140
Responsibility	4.	Integrity	35
	5.	Supervision required	84
	6.	Errors	84
	7.	Business Relations	84
Efforts	8.	Mental and/or Visual Effort	35
Working Conditions	9.	Surroundings	35
Supervision	10.	Type of Supervision	84
	11.	Measure of Supervision	84
		Total	865

The more thoroughly the job description is carried out with all possible factors bearing on the job carefully studied, the more accurate the final evaluation will be. For this reason, it is generally useful to get the comments and opinions of the supervisor and of the employee.

The questionnaire in this article is full and comprehensive. It may be found on page 20.

Employees Should Be Briefed

Since the cooperation and mental attitude of the worker may be an important factor in making the job evaluation successful, care should be taken to enlist the worker's cooperation before the job evaluation study is launched. Office workers, like plant workers, are suspicious of any innovation, and the ground should be carefully prepared in advance, by explaining to them the advantages that will be realized both by them and by the employer.

Experience indicates that where white collar workers understand their job evaluation plan, they like it. Where it is poorly understood, they are apt to resent it. Employees therefore should be encouraged to present their questions and their "beefs" concerning the operation of the plan, particularly in earliest phases.

The modern trend in management of the office as in the factory is to eliminate the mystery about salary and wage schedules. When a fair, balanced salary and wage schedule is set up, through job evaluation, the need for secrecy is largely removed. Employees all know the basis on which advancement is obtainable, and the spirit of competition thus induced cannot be anything but helpful to the morale of the organization.

1. *Describe specific duties you perform in your daily work.* ____________

	No	Yes
2. *Do you do other types of work than above?*	☐	☐

If the answer is yes—describe the additional work ____________

3. *Do you prepare:*

	What percent of time? ¼	½	¾	All
Daily Reports	☐	☐	☐	☐
Weekly Reports	☐	☐	☐	☐
Monthly Reports	☐	☐	☐	☐
Quarterly Reports	☐	☐	☐	☐
Other	☐	☐	☐	☐

NOTE: Do not include reports prepared by others and typed by you.

	No	Yes
4. *Do you handle reports prepared by others?*	☐	☐

5. *Describe type of reports:* ____________

	No	Yes
6. *Do you receive instruction about your work?*	☐	☐

7. *Who instructs you?*
Name ____________
Title ____________

8. *How much instruction do you receive?*
Much ☐ Some ☐ Little ☐ None ☐

	No	Yes
9. *Does your work require supervision?*	☐	☐

10. *What degree of supervision?*
Much ☐ Some ☐ Little ☐ None ☐

11. *To whom are you directly responsible?*
Name ____________
Title ____________

12. *How many employees work under your supervision?*
None 1 — 5 6 — 10 11 — 25 26 — 50

13. *What is the most important part of your job?* ____________

14. *Have you responsibility for damage to any equipment?*
No ☐ Yes ☐
Hand Machines ☐ Electric Machines ☐

	No	Yes
15. *Does your job require handling of money?*	☐	☐

16. *If you were to make an error in your work, would the Company suffer a financial loss?*
No ☐ Yes ☐

17. *What would be the amount of loss incurred?* ____________

18. *Do you use the following machines in your daily work?*

(Note: Add any not included here)	Occasionally	Frequently	Constantly
Addressograph	☐	☐	☐
Bookkeeping Machine	☐	☐	☐
Calculator	☐	☐	☐
Comptometer	☐	☐	☐
Dictaphone (typist)	☐	☐	☐
Ditto Machine	☐	☐	☐
Electric Typewriter	☐	☐	☐
Hooven Machine	☐	☐	☐
Key Punch Machine	☐	☐	☐
Mimeograph Machine	☐	☐	☐
Stenotype	☐	☐	☐
Switchboard	☐	☐	☐
Tabulating Machine	☐	☐	☐
Teletype	☐	☐	☐
Typewriter	☐	☐	☐

19. *Does your job require that you do the following?*

	No	Yes
Addition, subtraction, multiplication and division	☐	☐
Use fractions and decimals	☐	☐
Use higher mathematics	☐	☐
Correct errors in grammar	☐	☐
Compose letters	☐	☐
Prepare reports	☐	☐
Prepare graphs and charts	☐	☐
Use physics or chemistry	☐	☐

20. *If you were to be promoted and you were required to train your successor, how long do you think it would take a person to learn the duties of your job, so that these duties could be performed satisfactorily?* ____________

21. *State in detail what experience or past training such person should have.* ____________

22. *In your opinion what length of time would it require to obtain or acquire this experience?*
Months ____________ Years ____________

23. *What kind of decisions is it necessary to make on your job and how frequently?*

	Seldom	Often	Very Often
Simple—Repetitive operation, methods worked out by others	☐	☐	☐
Routine—Repetitive operation with some variations	☐	☐	☐
Varied—Considerable variation in methods required because only general instruction can be given	☐	☐	☐
Complex—Considerable variation, not previously worked out	☐	☐	☐

24. *What degree of accuracy is required on your job?*
Some ☐ Close ☐ Exceptional ☐

25. *Does your job require:*

	What part of the day? ¼	½	¾	All
Light physical effort	☐	☐	☐	☐
Average physical effort	☐	☐	☐	☐
Heavy physical effort	☐	☐	☐	☐

26. *Is your job performed in the following manner?*

	¼	½	¾	All
Sitting	☐	☐	☐	☐
Standing	☐	☐	☐	☐
Mostly walking	☐	☐	☐	☐

27. *Are your working conditions uncomfortable in comparison with other jobs in this office and to what extent?*

	No	Some	Much	Very Much	Extreme
Lighting	☐	☐	☐	☐	☐
Ventilation	☐	☐	☐	☐	☐
Noise	☐	☐	☐	☐	☐
Exceptionally crowded conditions	☐	☐	☐	☐	☐
Eye strain	☐	☐	☐	☐	☐

28. *To what extent does your job require that you cooperate with others?*
None ☐ Some ☐ Much ☐ Very Much ☐

29. *To what extent does your job require tact and agreeableness?*
None ☐ Some ☐ Much ☐ Very Much ☐

WILL INSTALLMENT TERMS CHANGE?

Competition May Bring About New Plans

by **CLARENCE E. WOLFINGER**

Credit Manager
LIT BROTHERS
Philadelphia

Installment selling is just as much a part of America today as ham and eggs. Not so many years ago there was a certain amount of stigma attached to buying on the installment plan. Buyers hesitated to use this plan through fear of inference and invasion of privacy because of credit investigations. The impression prevailed that installment prices were considerably higher than cash prices. Social workers deemed it slavery for those who were foolish enough to sign away their future earnings and considered it a fertile field for usurious money lenders.

The depression following World War 1 brought with it the inspiration to merchants to develop the "installment plan" of buying as a means of greatly increasing retail sales of consumer durable goods. General acceptance has since become nationwide. The payment record of installment buyers over the past 15 years has been good. Bad debt losses even during depression years were very low. Now the use of installment credit is widespread among all classes or income groups and all social levels. There are very few retail stores extending credit which do not provide in some manner for this method of buying. Some stores are devoted exclusively to this kind of selling. In department stores alone, deferred payment accounts (installment sales) represented one-third of the total credit sales on a national basis during the year of 1941. Installment purchases in that year were 10% of total department store sales compared with 5% of the total in 1945. The decrease was due largely to the absence of consumer durable goods from the market and the credit restrictions of Regulation W.

Everything on Credit

Installment selling has also been adapted to perishable goods as well as durable goods. Everything from an electric refrigerator to an egg-beater can be now purchased on the deferred payment basis. Credit thinking has changed too. Formerly merchants were hesitant to sell merchandise on the installment plan unless it could be re-claimed if payments were not met. This thinking has been reversed. Notwithstanding the claim which the seller retains on the merchandise as a protection against non-payment, many credit executives will not approve such credit to sub-standard risks. Merchants sell goods and want them to stay sold. Credit granting methods must be ever alert.

Larger fields of consumers must be developed as production increases. This can be done in two ways—by decreasing the price, or liberalizing the credit terms of purchase. Credit can't build unsurmountable fences around the sales department, although at the same time, credit must, for the preservation of business, maintain methods of keeping terms within profitable and controllable limits.

Too many salesmen think a sale is made when the customer receives the merchandise. The sale is not completed until it is paid for in full. Customers in the past have often been better advised about the terms than the merchandise. The credit department can very properly work in closer cooperation with the sales department, if each understands the problems of the other. Sitting around the table and frankly discussing these matters will be of considerable help to sales and profits, as well as to customers.

Installment credit grantors believe in buyers' equities and agree that the greater the equity the customer has in the merchandise, the greater the incentive to keep up regular payments. The insistence of some down-payment is generally conceded to be good credit judgment but it is also true that the number of potential buyers for durable goods increase substantially as required down-payment amounts are decreased. Installment credit is designed to help people buy out of current earnings.

During the war years the government was forced to adopt the system of priorities. Those who were not able to qualify under this system were denied the use of certain strategic materials. Some manufacturers were compelled to completely change the character of their business in order to survive. And all this was very necessary to the successful prosecution of the war. Consumer credit, too, was subject to restriction. Now that the war is over and we are back on a peace-time basis, we should retain war-time controls only as long as they are absolutely necessary. Let us take a look at present conditions in the consumer installment credit field, but first a review of the fundamentals underlying installment credit.

Buyers Seldom Spend Savings

The theoretical requirements of installment credit are (1) a down-payment large enough to establish a

satisfactory equity on behalf of the buyer at the time of delivery of the desired article, and (2) arrangement of deferred payments in amounts and at dates conforming to the customer's available income. Another basic principle is that ability to buy is determined primarily by what happens to current earnings and secondarily by the amount of accumulated savings. Past experience teaches us that people have rarely spent accumulated savings to buy luxuries, consumer durable goods, or even homes. They did not use them extensively even for necessities in 1933 at the depths of the depression. What the buying public could not arrange to buy out of current incomes they have arranged to do without. Accumulated savings have been used for what they were designed—a form of social security for each person and family. Research will disclose a close relationship between sales and consumer incomes.

Liquid savings are the highest ever, $145 billions in savings and government bonds, but not very much of this is said to be held by persons with small incomes. Consumer credit outstandings are at a low ebb, the credit position of the buying public is at the highest level. We thus have the three factors pointing to an unprecedented expansion of installment credit: (1) Prospective availability of consumer durable goods, (2) funds from which to make down-payments, and (3) prospective continuance of high earnings—the incentive to make installment payments. The current spending, as in the past, will be from income rather than savings. The greatest expansion of production and consumption has taken place since 1920, coinciding with the development of installment credit.

Restrictions Still Wise

Postwar production, in order to reach our required capacity for full employment, should be about 50% above 1940. If this is true, then there will be need for greatly increased demand for installment credit to put this production into the hands of the consumer. But we are still in the throes of fighting inflation. It is time to increase production but not the time as yet to take off entirely the restrictions on consumer credit, as this would merely increase the demand without a compensating increase in supply. Installment terms will, however, be liberalized as production increases and supply approaches demand.

The installment plan, designed as a means of solving high distribution of consumer goods, has made it easier for more people to buy. It is a morale builder and has raised the standard of living. And now people need plenty of merchandise, particularly durable goods. At the high point of installment credit there were no restrictions on the amount of down payment or the length of time for the contract. Sound credit is not based on regulated down payments or any single rule in itself. So many considerations enter into each credit analysis that no one element constitutes the decisive factor of credit judgment.

Credit men must know the collectibility of accounts and govern credit extension accordingly. Even with the adjustment of credit terms downward, that does not mean that every applicant can be sold on a minimum terms basis. The credit man must determine the terms best suited for each applicant and adjust his contract accordingly, and also with regard to general economic conditions. The greater portion of credit customers are honest, hard-working people who try to give to their families the best of everything within their ability to pay out of current income.

Terms Should Ease

The amount of war bonds which have been sold on the deferred payment plan (principally through salary deduction) has materially increased the potential number of deferred payment customers. Many people heretofore not even credit customers, have had demonstrated by this war-measure, to their advantage, what can be accumulated through partial payments. True they did not get the bond until it was paid for, but the added element of prospective ownership while paying, made the plan doubly attractive. It should be a great conditioner for installment buying.

There isn't much of a problem now about the sale and distribution of scarce consumer goods. If a limited amount were advertised, it would be necessary to have a good part of the police force on hand in the morning to guard the doors against the onrush of customers. There is no surplus to be taken out of the market at this time but soon production will increase and eventually will level out with demand. As production begins to catch up with demand something will have to be done to make it easier for customers to buy. This can be brought about by extending the number of months under which payment can be made, or by reducing the amount of down-payment, or both. In other words, by doing either one or both of these things, we automatically increase the purchasing power of every individual. This will stimulate production and sales. As production increases, consumers, too, will increase. We must not forget that all producers are also consumers. Buying boosts markets. However, this reserve capacity of buying should be held in check until the need is required to support full time employment and capacity production, and the danger of its being the extra push that would start runaway inflation is past.

Competition can only increase with increased production, and as production increases after the initial demand has been met, installment sales terms will have to be liberalized to take up this output.

Study Traces Trend in Consumer Credit

Consumer credit increased in 1945 at twice the rate of the year before, according to Federal Reserve Board data, but the total outstanding at the end of last year was still a third under the peak of $9,956 millions at the end of 1941.

Figures for the major classifications of consumer credit, however, show individual trends. For example, the total of charge accounts reached a new high of $1,930 millions at the end of 1945, about 9 per cent above the previous high in 1941. In contrast, installment credit, though up about 20 per cent from the low point of $2 billions at the end of 1943, is still about 60 per cent below the high of $5,981 millions at the end of 1941. The big element in installment credit is consumers' durables.

CREDIT PROBLEMS RETURN

The Need for Good Credit Advice Never Greater

by **HOWARD W. MINCHIN**
Vice-President
REQUA ELECTRICAL SUPPLY COMPANY
Rochester, N. Y.

Now that the Post-War business era is here, credit problems are again with us. Many of them are those with which we are already familiar, but they are appearing in a more intensified form. In addition, a number of new ones are present. Our training during the past few years has not prepared us too well to meet this situation. Slow accounts were almost nonexistent in most lines of business, and we have perhaps grown a bit soft on the job. I should like to mention and discuss some of the most important factors which are now contributing seriously to our problems, and which will continue to do so for sometime to come.

New Businesses a Challenge

First: An unusually large number of new business enterprises are starting at this time. Under our system of free enterprise it is every man's right to start his own business, although there are some restrictions, of course, in certain fields, due to Government regulations. However, in general a man needs only the will and the capital—and a greater part of the latter may be borrowed. Many who are now going into business have had no experience whatever; and are entirely unqualified for the job ahead of them, besides lacking the necessary capital. Naturally, a business commencing with these handicaps must depend largely on credit in order to operate. Fortunately, in some cases, the prospective business man consults with credit men of concerns with whom he intends to do business, before starting operations. In such cases, the credit manager has an opportunity to dissuade the unqualified from entering the business picture. In most instances, however, the credit manager does not meet with the problem until the business has been organized, and an order has been received upon which he must pass. Nevertheless he still is in a position to make an important contribution in guiding the new enterprise by insisting that orders be handled on a cash basis, when advisable, until such time as the right to credit has been established.

Credit Man's Obligations

The credit manager's obligations in handling these situations are three-fold:

1. He has, of course, a definite obligation to protect his own company's receivables.
2. He has an obligation to the new customer, because he is only rendering a disservice if he enables him to go into business only to lose his original investment in an enterprise that was doomed to failure from its inception.
3. He also has an obligation to his old customers. Naturally, the credit manager can not and should not attempt to create a monopoly for his old customers by withholding credit help from a new and deserving customer. However, he should not create unfair competition for old customers who have demonstrated their ability to conduct successful businesses, by extending unwarranted credit to new accounts.

Ventures so started usually end in ruinous competition, price-cutting and inevitable failure, and in the meantime successful businesses have been adversely affected. The result is that the credit manager has jeopardized some of his own good accounts. On the other hand, errors in the other direction may be just as costly. Failure to recognize the new business enterprise which has a good chance of succeeding and does eventually become successful may cost his company thousands of dollars in profits on sales which should have been made.

War Time vs. Peace Time

Second: The period which we have been through has been one in which good management has been discounted. PRODUCTION—at whatever cost—and more PRODUCTION was the slogan. The assembly line in a war plant could not be stopped for two weeks or even two hours while management attempted to figure out more economical ways of doing business. However, methods necessary in war time can not well be continued in peace time if one is to survive the severe test of competition. It will be the credit man's job to determine which concerns have been successful only because of war time conditions, and those which can operate successfully under peace time competition.

Third: Business, as well as individuals, has been on a spending spree during the war years. Unnecessary or extravagant expenditures affected profits only slightly. Such costs were either added to the price of the commodity or deducted from Excess Profits Taxes. Expenditures can easily be added to the overhead, but

it is much more difficult to reduce or eliminate them when budgeting must return to a conservative basis. Here, again, the credit manager must ascertain which concerns are going to be able to budget their expenses on a basis to conform with a decrease in revenue.

New Yardstick Needed

Fourth: For some time, at least, most business will operate at a smaller margin of profit per dollar of sales volume. Labor and many other costs have greatly increased while prices have remained more nearly stable. In evaluating the probable success of a concern which he is selling on credit terms, the credit man must use a new yardstick in measuring anticipated profits.

Fifth: Not only will the percentage of profit be lower in the future, but after the payment of taxes, the portion of earnings which a concern will have left as working capital will be still less. We may definitely expect that for some years to come taxes will be much higher than during the Pre-War years. This also must be taken into consideration by the credit man in judging the chances of a concern's probable success or failure.

Problems Also Within

The fore-mentioned facts also suggest another reason why it is going to be necessary for the credit man to give his most serious attention to a proper analysis of general conditions. His own business, as well as that of his customers, will be affected directly by these problems. The margin of profit which his own company is likely to make will be lower than in Pre-War years, and, consequently, it will be unable to absorb undue credit losses or increased collection expenses as easily as before. Many marginal accounts will become submarginal, and the danger of credit losses will greatly increase. Not only must the credit man take measures to protect his own company's investment, but he must at all times remember that good credit work is not measured alone by a low percentage of credit losses. This must not be achieved at the sacrifice of profitable sales volume. Only by giving all of these matters close and intelligent attention can these new and serious problems be met successfully.

Dallas Plays Host to Visitors on "Waco Night"

Dallas: The April monthly meeting of the Dallas Wholesale Credit Men's Association was attended by several members of the Waco Association, and the evening was therefore designated "Waco Night." The speaker was C. W. Cayten, division Credit Manager of the General Tire and Rubber Company, Waco. He spoke on the subject: "I Am Proud to Be a Credit Manager." Mr. Cayten, now President of the Waco ACM, was formerly Director of the Dallas Group. He became associated with the General Tire and Rubber Co. in 1934 in New York, and has successively held offices in that company in Memphis, Dallas and Waco.

Spring Brings Plans for NYCMA Golf Tourney

New York: The annual golf tournament of the New York Credit Men's Association will be held at the Crestmont Golf Club on May 23. Preliminary arrangements for the event have been under way for some time.

Frank J. Kelly, of James Talcott, Inc., chairman of the golf committee, and Mortimer, J. Davis, NYCMA, journeyed to Crestmont recently to view the spot. Their report was enthusiastic and so the option for the date was taken up.

Scoring will once again be under the supervision of the "Palmers," professional scorekeepers.

Food Group Reports Generally Favorable Collection Condition

The March report of the Post-War Guidance Committee of the New York CMA's Food and Dairy Group reveals that collection trends in New Jersey showed a decided improvement as of the end of February due to the comparatively strike-free conditions and the re-opening of several plants which closed down after V-J day. However, the unrest in Connecticut had a definitely adverse effect, although the other areas affected by strikes showed no outstanding tendency to slowness.

This state of affairs results from the fact that our economy is operating at an unbelievably high level, and now there is some revealing information in the Snyder report which shows an optimism far beyond that of the most sanguine businessman, which might point to more inflation in the future.

To a great extent the recent increased turnover in the sale of retail food stores has been a direct result of the inflationary tendencies of the last few months and the hope that this turnover in the sale of stores would expend itself has not materialized; there is now reason to believe the condition will be with us for a long time.

The greatest problem in the retail food trade will develop from this condition, since a large number of these stores will have very large chattel mortgages, and it is more than likely that the stores with large chattel mortgages will be among the first to develop collection problems unless employment and production continue at high levels.

TRENDS

COLLECTIONS	NO. OF MEMBERS REPORT NORMAL AND ABOVE NORMAL	NO. OF MEMBERS REPORT BELOW NORMAL AND SLOW
Metropolitan New York	41	2
Philadelphia (Including Camden)	21	2
Boston	18	
Hartford—Waterbury—New Britain	16	5
New Haven—Bridgeport—Stamford	22	4
Albany—Troy—Schenectady	19	2
Syracuse—Utica—Rome	15	4
Catskills	18	
Penna. Mining Areas	14	3
Jersey City—Passaic—Paterson	30	8
Newark—Elizabeth—South Jersey	29	9
Southern	16	1

43 members reported. The difference between the figures shown and 43 represents the number of members not selling in the respective areas.


INTER-AMERICAN
BANKING
FACILITIES

DO YOU KNOW YOUR COSTS?

Good Bookkeeping Makes Good Credit Risks

by J. E. BULLARD

Distribution Engineer and Special Writer

Several wet wash laundries agreed to employ the same accountant to set up identical bookkeeping systems for each of them and then, every month, to make up a detailed cost sheet showing comparative costs of the different laundries. One laundry owner who was in this group stated that the plan had enabled him to reduce costs to a pleasing degree. He explained that some of his costs were lower than the same costs of the other laundries but others were higher. He pointed out that no one business man is likely to get all his items of cost down to the barest minimum because there are too many items. He, however, did find that each different laundry seemed to give most attention to those items which, for one reason on another, interested it most.

It is hardly necessary to say that the laundries in this group were good credit risks. By getting their costs down, their net profits just naturally increased. Perhaps of even more importance was the fact that the constant comparing of the costs of one laundry with another tended to prevent each laundryowner from increasing any item of costs without first making certain any such increase would prove profitable. One item of cost, for example, which varies, is advertising. Only experience and experiments can show definitely how much a given business man can spend on advertising and at the same time keep his total cost of doing business down to the minimum when measured by percentage of gross income.

Leave Nothing to Chance

Some fifty years ago a young man started in the laundry business without capital and with only limited experience. He did realize he would have to know his costs if he was to remain in business. He also had good reason to believe many of the established laundries in his city did not know their costs as well as they should.

Made Money For Others

Because he could show such detailed figures of his costs and the net profits he was able to make, he experienced comparatively little difficulty in raising more capital as he needed it. Starting with almost no capital at all he was rated as a millionaire when he died. The main difference between this man and his competitors appears to be the difference in the thoroughness with which the bookkeeping was done. He left nothing to guess work or chance. When he changed from horses to automobiles, he made accurate and detailed studies of the comparative costs. When he used both electric and gasoline trucks, he made the same sort of studies regarding the comparative costs. It was the same when he made any other changes in the business. There can be little doubt that it was these cost studies which had more than anything else to do with the profits which he made.

An interesting side light on this man's business career was that some of his competitors who did not study their costs to the degree he did seemed to form a habit of imitating him. When he changed from horses to motor vehicles, they did. When he begun using electric trucks, they tried to use electric trucks in much the same way he did. Those who imitated him most closely seemed to make the most money. In other words, this man by knowing his costs as well as he did, not only made money himself but set an example which, followed by others, resulted in better profits to them.

After this man died, his son took over the management of the laundry. One day this young man made the statement that he did not think it necessary to go to all the trouble of making cost studies and keeping the records his father did. "If I know that I am taking in more money than I pay out," he explained, "that shows me I am making a profit and that is all I really need to know." Obviously, it would be well for those extending credit to this laundry to watch the condition of the business much more closely than they ever had to when the older man was alive and active in the business. The accumulated assets, if applied to the business, of course, would keep it solvent for years but changing conditions and general progress could make it next to impossible for the new owner of the business to make it continue to show a real net profit.

Attention Builds Profits

Some sons who take over the family business build up both the volume and the net profits to a point their fathers never were able to build them. One young man, for example, took over a general store which his father had been operating. He did this while his father was still alive and active and has made a


Now watch, gentlemen, as the color changes

greater success of it than the older man ever did. One reason for this, however, is that he is giving his undivided attention to his store while his father had so many varied business interests he was not able to do so. He can and does watch costs to a much greater degree than they ever have been watched before. He studies his customers more and knows them better.

Other sons run the business into the ground in a comparatively short time. An instance of this kind is the experience of a young man who took over the grocery store which his father had been operating at a good profit for years. He began to make changes, among them being the opening of branch stores. More inclined to watch the chain stores and to imitate them than to give the careful and detailed attention to his costs, as he should, and to study what would prove profitable in his case and what would not, he succeeded in losing money right along. He appeared to have pretty much the same attitude as the man who admitted that he was losing a half cent on every dollar he took in but expected to make it up later on volume.

Bookkeeping Pares Taxes

Some business men continue to pay more in taxes than is due from them. They have not the bookkeeping systems they need to supply all the records to make out tax returns which are accurate and show exactly how much tax is due from them. Unless they call in tax experts to make out their returns, they are likely to continue to pay more in taxes than they need to pay. One such business man said that when he received a notice an internal revenue man was going to call on him to check up his past returns, he had visions of paying a stiff fine or landing in prison. After the checkup, however, he was surprised to learn he had paid more in taxes than were due and there was a refund coming to him.

This man has enough assets to keep the business going for some time at a loss. But they are limited and as competition increases, unless he sets up a more complete and a more accurate bookkeeping system than he has used in the past, there is always the possibility he will go broke. What this particular business man needs to keep his accounts complete and accurate is the assistance of a competent accountant. He is not doing a large enough business to employ a full time and experienced bookkeeper. At least that is the way he feels about it.

Farmers Need Bookkeepers

A man managing a dairy farm has solved his bookkeeping problems by having an accountant come in every three months and draw up costs, profit and loss and other data sheets. The system was not set up by this accountant but rather by the father of the present manager. The older man had worked for some years in a bank and had made a study of accounting. He, also, had learned that whether a business makes money or loses it is often determined by the system of bookkeeping used and how seriously the business man takes his bookkeeping.

This system includes a record of the plots of ground into which the farm is divided. The record of each plot shows the crops raised, the fertilizer used, the soil analysis, labor costs, etc. It serves to show the rotation of crops which will result in the best profit. Records, also, are kept of each cow.

Again it is hardly necessary to state the credit rating of this farm is excellent. When other farmers in the county were going out of business through the bankruptcy route or just before they had reached complete insolvency, this farm continued to show a profit. There is no question in the mind of the man who operates it that his bookkeeping system is the guide which keeps it in the profit column. As a matter of fact, he is convinced that a number of the farmers who are now out of business could have continued to make some profit had they known their costs as well as he knows his.

Greater Need Coming

The progress which will be made in business during the coming twenty-five years promises to be far greater than that made during the past quarter century. The indications are much of this progress will be in the field of distribution, that is, getting what is produced from the producer to the consumer in less time and at lower costs. This will mean that business men will have to watch their costs much closer than they ever have in the past. They will have to make more costs studies.

What is likely to happen, if the bookkeeping system is not revised to meet changing conditions, is indicated by what happened to a chair manufacturer. This man started manufacturing chairs while he still was a young man and business problems were not as complex as they proved to be later. His was a small factory and he did not consider it necessary to make any detailed costs studies or even to keep detailed cost records. In his prime he was able to watch his business closely enough to keep costs down sufficiently to make a profit. As a matter of fact he accumulated what was considered at that time and in that little city a good sized fortune.

His competitors, however, were giving more and more attention to cost studies. These included the original design of the chairs as well as machine costs. Their competition became more and more serious as this man grew older and no longer possessed the stamina and the capacity of long hours of work he once did. As the business began to show a loss, he put more and more money into it, hoping the tide would turn and profits would be made again. Eventually, he lost the fine home in which he lived for years and then gave up the business entirely. It is now still being operated successfully in the same building. When the old gentleman died he was living in a small house on a meagre income.

Experience Not Unique

Many small manufacturers, in the past, who have not kept pace with progress, who did not watch their costs as closely as they should and failed to learn how to keep them down at least as low as those of their competitors, have passed through comparable experiences. They have accumulated at least fair sized fortunes only to lose them in their old age for the simple reason that they depended upon their intuitiveness and sound judgment together with their past successful experience

Strength

UNITED STATES RESOURCES AS OF DECEMBER 31, 1945

Year Established		ADMITTED ASSETS	LIABILITIES	CAPITAL	SURPLUS TO POLICYHOLDERS (Includes Capital) Annual Statement Basis	Market Values Dec. 31, 1945
1896	American & Foreign Insurance Company . . .	$ 9,860,261	$ 3,745,414	$1,500,000	$ 6,114,847	$ 6,381,194
1863	The British & Foreign Marine Ins. Co., Ltd.† . .	6,338,387	3,140,664	500,000	3,197,723	3,428,515
1911	Capital Fire Insurance Company of California . .	2,965,027	889,957	1,000,000	2,075,070	2,218,723
1922	Eagle Indemnity Company	14,874,297	10,154,571	1,000,000	4,719,726	5,286,606
1908	Federal Union Insurance Company	4,539,076	2,042,117	1,000,000	2,496,959	2,646,151
1911	Globe Indemnity Company	55,780,079	30,690,537	2,500,000	25,089,542	27,606,103
1836	The Liverpool & London & Globe Ins. Co. Ltd.† .	24,837,202	15,835,556	500,000	9,001,646	9,921,045
1811	The Newark Fire Insurance Company	14,063,222	6,679,101	2,000,000	7,384,121	7,907,479
1891	Queen Insurance Company of America	32,038,885	17,178,043	5,000,000	14,860,842	16,066,044
1910	Royal Indemnity Company	51,001,959	30,511,857	2,500,000	20,490,102	22,998,668
1845	Royal Insurance Company, Ltd.†	28,995,492	17,025,596	500,000	11,969,896	12,934,131
1924	The Seaboard Insurance Company	2,134,044	777,188	600,000	1,356,856	1,458,891
1896	Star Insurance Company of America	8,398,559	4,700,354	1,000,000	3,698,206	3,999,229
1860	Thames & Mersey Marine Insurance Co., Ltd.† .	3,857,992	1,880,472	500,000	1,977,520	2,092,412

† United States Branch. The amount shown under "Capital" is the statutory deposit required to transact business in the U. S. A.

Admitted Assets of All Companies include securities deposited as required by law.

ROYAL-LIVERPOOL GROUP

ONE HUNDRED FIFTY WILLIAM STREET, NEW YORK 8, N. Y.

rather than upon a bookkeeping system and cost studies which showed them the facts. During the past hundred years far greater progress has been made in production than in distribution. More attention has been concentrated on making things quicker, better and at lower costs than has been on speeding up and lowering the cost of getting finished products into the hands of those who use or consume them. Just the reverse is quite certain to take place during the coming century. This does not mean that there will be no progress made in production. It does mean there is more to be gained in raising the efficiency of distribution than there will be in raising the efficiency of production to still higher levels.

Watch Distribution Plan

It follows then, that those who are engaged in any phase of distribution will have to watch their costs more closely than they ever have in the past and will have to keep pace with all progress which is made. Wholesalers, for example, can no longer expand their territories until they overlap the territories of other wholesale centers just because improved transportation facilities enable them to do this. That is, they cannot do so without subjecting themselves to more dire results than were suffered in the early 1930s. The adoption of the motor truck tempted a good many wholesalers, in those days, to extend their territories to an unprofitable degree. With their salesmen traveling by automobile and deliveries made by trucks, while highways were being improved, good service could be rendered more miles away from the office than had ever been possible before. That service, however, meant increases in the cost of doing business and it may have been fortunate for many wholesalers that the depression came as soon as it did and they were able to contract their operations to smaller and more profitable areas before it was too late.

New facilities in distribution are likely to prove so tempting to many an established concern that they are utilized to an unprofitable degree just as motor vehicles were, in so many cases, after the first world war. This does not happen, however, if a bookkeeping system is used which shows exactly and at once what is happening. It does not happen if all needed cost studies are made. That laundryowner, already mentioned, who never made any changes without cost studies, got the facts regarding how, when and what for, he could use electric trucks more economically than he could gasoline ones and he also knew how far away from the laundry he could make deliveries at a profit and what the conditions had to be to make suburban business profitable. During his lifetime the laundry business progressed to a greater degree than it had before in generations. Many changes were made and no person could be certain just how they would affect the business until detailed, accurate and careful cost studies were made.

Some Will Keep Up

It is just such progress in the general field of distribution which can be expected in the future. Some business men are bound to keep pace with progress and to do the cost studying which will be needed if the maximum profits are to be made. Some of these may have been in business for years. Others have not yet even started in business.

There is good reason to believe there will be more and more facilities, as the years go by, for reducing the cost of distribution. There will be these facilities just as there have been increased facilities for reducing production costs. Facilities, however, are of little avail unless they are used in the most effective manner. A small country weekly newspaper could not afford to use a great, automatic press such as the metropolitan dailies use for printing its paper. The run would be too short and the cost of making the automatic press ready would be too great. If the small weekly paper utilizes the facilities best suited to its situation, however, it can earn an excellent return on the investment in the business. To get the costs down to the minimum in any case, however, cost studies and a bookkeeping system which always shows exactly where the business stands, and where it is headed, are necessary.

Many new conditions can be expected in the future. New industries never fail to have an influence over older ones. Television could play an important part in future distribution. On the other hand ineffective use of it could increase rather than decrease distribution costs. It is not what is used but how it is used that counts.

Bookkeeping Averts Bankruptcy

In the past, many a business man who has been headed toward bankruptcy has been saved and transformed into a successful business man by the simple expedient of his creditors' insisting upon placing in charge of the books a really competent bookkeeper. It would appear this may become more common and more necessary in the future than it ever has been in the past. Trade associations during the past quarter century have given more attention than before to this subject. Some associations have been reported so successful along these lines that none of their members fail.

The general routine followed by associations is similar to that followed by the group of wet wash laundryowners who adopted the cooperative method of getting their costs down. Reports are submitted periodically, perhaps once a month, to the local office of the association. In that office is a thoroughly competent and experienced person who studies the reports, compares them and then makes suggestions aimed to help the members increase their net profits by lowering their costs.

Such efforts have not been extended to the degree they will be needed in the future. In some trades it is difficult to organize a local trade association and to keep it going after it has been organized. One, in which a good deal of difficulty has been experienced, in the past, is the service or filling station business. Another has been the dry cleaning business.

Costs Cut Credit Losses

Enough data is available, however, to indicate beyond any question of doubt that credit losses would be reduced to a marked degree, if every business man, in every line of business, were a member of an association which gave the attention deserved to bookkeeping, cost studies,

etc., and if he reported to his association every month by filling out a data sheet, or a representative of the association went over his books and took off them the data needed to compare his costs with those of others in the same line of business. Such comparative studies, especially if the association has on its staff a high grade consultant who advises the members and helps them solve their problems, not only reduce credit losses but also go a long way toward reducing the cost of doing business. They also tend to reduce business mortality to a marked degree. Yet, the work done is primarily bookkeeping. Certainly, unless there is complete and accurate bookkeeping nothing much can be accomplished.

In this nation business mortality is outrageously high. If human mortality even approached it, the death rate would be far higher than the birth rate and were this true throughout the world, the human race soon would become extinct. That mortality, however, cannot be reduced until there is a universal use of better bookkeeping. During the past century, the death rate in the United States has tended downward. That as much progress would have been made in adding years to the average life span is doubtful, had it not been for the bookkeeping which has helped so much. As vital statistics have been broadened to include not only births and deaths but also illnesses, especially of a contagious nature, and other data which aid in prolonging life the average person has come to live longer than did the average person of a hundred years ago.

Vital Statistics In Business

As the vital statistics of business come to include more and more of the details about business we should find business mortality can be reduced to a marked degree, that the person who starts in business will have a better chance of continuing in business than he does now. Much that is included in vital statistics has required that the medical profession, that the doctors, keep more detailed and complete records than the old time doctor every troubled himself to keep. In the same way, there cannot be completely satisfactory

(*Continued on page* 38)

CREDIT MEN ARE HUMAN

But Do Their Customers Know It?

by KENNETH B. HORNING

Assistant Professor of Business Communication

UNIVERSITY OF OKLAHOMA
Norman, Oklahoma

Too many customers do not realize that credit departments are run by normal human beings. The term "credit department" to most people seems to mean a group of routine, machine-like, fairly efficient robots that check over applications for credit, say *yes* or *no* with the push of a button, send out bills by pushing several buttons the first of every month, and then—by pushing a little red button—start a collection series rolling.

And most of the fault lies with the credit department itself. What else can the customer think when all he gets are form notices? Even when an individual problem arises and the department is forced to send him a personal letter, even that one usually sounds as though it too had been accomplished with the push of a button.

Credit letters of every type can be made human. They can be written to give the impression that after all the credit department is made up of a bunch of nice fellows doing their job. But not nearly enough credit men bother to give this impression; they are content with their old formula for letter writing, realizing it isn't too good but feeling that writing better letters involves a tremendous amount of work. And that is where they are wrong. Writing good letters is just as easy—just as simple as writing poor ones. Here are three letters—each solving the same credit problem—that show how easy it is to make credit letters have that human touch.

Credit Misplaced

The problem involved was not a simple one. A customer named Ernest F. Smith had paid his bill in full, but the payment was mistakenly credited to Ernest L. Smith. Naturally collection messages were sent to Ernest F. Smith. He ignored them all until he received a notice that his account was to be turned over to an attorney. Then he wrote, telling the credit department what he thought of a company that tried to collect a second time from a good customer who paid his bills promptly.

The three letters given here all use different approaches; all three solve the problem very well. There is seldom any one specific reply that is best. The most effective procedure is simply to decide what facts you wish to use in the letter—and then use those facts in a courteous, friendly, conversational manner.

Here is the first letter:

> Dear Mr. Smith:
>
> Our faces are very red today, Mr. Smith, and rightfully so you will agree.
>
> When we received your letter yesterday we immediately checked our accounts and found our error. Your payment had been credited to the account of Ernest J. Smith. Of course we corrected this at once, and your account is now perfectly clear.
>
> We value good customers like you and try to give prompt and accurate service, but occasionally a mistake will get by us. I suppose that as long as human beings do the bookkeeping, that will be true. We do, however, do everything in our power to keep errors at a minimum.
>
> As a slight compensation for your inconvenience, please accept this gift certificate for $5. We hope you'll come in and use your account soon. Believe us, Mr. Smith, we'll try our darndest to keep our J's and F's straight from now on.
>
> Cordially,

Open Admission Best

That letter of just four short paragraphs is an excellent example of applying an effective tone to the conventional formula for a letter of this type. Notice that the first paragraph is a simply worded apology; the second paragraph is a courteous but matter-of-fact explanation of the error. The third one shows very positively that such an error is the exception rather than the rule. However, it does not attempt to justify the error. Most customers prefer this frank statement that an error has been made and you are sorry. Too many letters pout around, implying that the customer should realize how easy errors are to make. In this letter all you have to give is an apology—don't give it grudgingly! The last paragraph, offering the gift certificate, is a good idea. Five dollars in trade is little enough to pay in compensation for an error that could easily have harmed Mr. Smith's credit reputation.

Different Approach

This second letter uses an entirely different approach but one that is probably equally effective. The very positive opening leads into the frank and rather amusing reason for the error. This reason may or may not be legitimate, but it is one that 99 customers out of 100 will sympathize with. The final paragraph, while carrying out the general tone of the let-

ter, is still serious enough to let the customer know that such an error will not happen again—the difficulty has been eliminated, and they are anxious once more to serve him efficiently.

Dear Mr. Smith:
We thank you for your letter explaining what we thought was your overdue account. As soon as we received your letter we checked and found the mistake on our books, and your account is now completely balanced.
Here's what actually happened: Our bookkeeper's husband was due back from overseas duty at the time your bill was due, and every time the phone rang, she jumped! Well, it must have rung about the time she was crediting your check, because she jumped right over Ernest F. Smith to Ernest J. Smith—and his account got the credit for your check.
But now her husband is back, our bookkeeper is once more her usual efficient self, and our books are correct. And this time, Mr. Smith, all of us here would jump at the chance to continue to serve you as we did so often in the past. Won't you try us again?
Sincerely yours

Smith, Smith and Smith

In this third letter, the adjuster had a ready-made opening, since his name, too, happened to be Smith. However, just as effective an answer could have been devised by using the third person approach. The amusing incident introduction is effective, of course, only when it is relevant—and it certainly is in this case.

Dear Mr. Smith:
Last fall I finished three years in the army where I had many unhappy experiences simply because my name happened to be Smith! One experience I remember particularly well was when I served on a KP detail. I worked and slaved for three days before they discovered that my name was Jerome B. Smith instead of John B. Smith, and that I was supposed to be on furlough instead of on KP.
This is approximately the story behind your experience with our collection letters. We discovered that your check was credited to someone with a similar name.

In my army experience, the only apology I received was a "tough luck" from my Sergeant. But this is definitely not my only answer to you. I want you to know that I am sincerely sorry the incident occurred, and I shall do my best to see that it does not happen again. If there is anything further we can do in the way of adjustment, I hope you will write me personally.

I sincerely hope you will accept my apology and allow us to continue business on the same friendly basis as we have in the past.

Cordially,

Look back over these three letters. Don't you agree that had Mr. Smith received any one of the three, he would have been satisfied? And don't you also agree that the letters are successful, not because of the facts used, but because of the friendly, human touches. When people like Mr. Smith write complaint letters to your department, they usually want little more than an apology —even though they themselves may not be conviced of that at the time. They simply want you to say "I'm sorry." All three of these letters do that—and at the same time make the customer see that the error was a perfectly natural one that anyone could have made. He is still a friend of your company and your department. Now look through your own files at some of the credit letters you have written. Would the recipients of those letters put you in the "nice guy" or the "robot" class?

Credit Men Lend Their Collection Techniques to the American Red Cross

South Bend: Many civic minded members of the South Bend ACM have materially contributed to the success of the American Red Cross membership drive.

Ray Storey had nine captains working for him and Sam Tait exercised his sales ability. Larry Haffner gave liberally of his charm as toastmaster of the workers' luncheon meetings and Fred Million, as business chairman, turned in a very successful report.

For the April meeting, the South Bend Credit Men heard a talk on "Credit Management" by Arthur L. Jones, General Credit Manager of Armour and Co. Mr. Jones is a director of the Chicago Association and from 1935 to 1941 he was mayor of Park Ridge, Ill.

Subordination Agreement—Credit Insurance

(*Continued from Page* 14)

selves at some meeting of creditors. Under similar conditions one set of creditors might choose to ask the debtor to assign his business to the committee while another set might ask that only supervisory functions be given the committee. Yet a policyholder's claim would qualify as an insolvency only in the event there is an assignment.

Requests for Extension

Most credit insurance policies are also silent (unless reformed in very recent days) as to whether an insolvency for insurance purposes occurs when a debtor requests an extension from his creditors. If one were to reason in harmony with the courts which rendered the decisions mentioned earlier in this article, one would say that a debtor's request for an extension of time within which to pay his indebtedness was clearly an evidence of insolvency. And while the policies do not define an extension as an insolvency, they do require the policyholders to obtain the insurance company's written assent before agreeing to any extension. Thus they impliedly assume some sort of responsibility for the account and in practice they are known to accept these claims as losses by special understanding. Frequently they authorize the policyholder to agree to an extension agreement with the understanding that if the extension does not work out and an actual insolvency ensues some time later it may be filed as a claim under the policy in effect at the time the extension was proposed.

But would it not banish all uncertainty and ambiguity to define a request for an extension as an insolvency in a policy? Nothing can be more evident than the fact that the reason a debtor wants an extension of time within which to pay his indebtedness is the inability to pay his debts in the ordinary course of business, as they become due. The courts have held such a condition insolvency. And merchants accept such a state of affairs as insolvency. Should it not be such under a credit insurance policy?

Companies Defended

In conclusion let it be said that the digest of a few court decisions bearing on the controversies between policyholders and insurance companies over this question of insolvency has not been reported here in the spirit of denunciation of credit insurance. In defense of the companies writing this form of insurance it must be said that litigation between policyholders and the companies has been negligible as compared in many other fields of insurance. The integrity of credit insurance executives generally has been exceptional and policyholders have learned to trust them in the exercise of fairness and good treatment.

But insurance, as any contract, is to be judged from the four corners of the policy principally. Let the underwriters get down to the business of revamping the policies so as to make them fit like the ample bedclothes which cover a man's feet in the night when it is cold. Then credit insurance should become the sound, popular and indispensable factor it deserves to be in our business economy. Much more might be said on the subject but the space allotted to this article has run out.

Editor's Note: In a covering letter, which arrived with this article, Mr. Everberg writes:

"I have been severely critical in this article about some reforms I think are sorely needed. But I do not think that it can be said that I am an enemy of credit insurance. I lived with credit insurance for 20 years. During that time I formed some very definite ideas about it which I have now briefly expressed. I hope that it does the companies some good in the direction of making policies more valuable to business. If the article is taken in the right attitude I am sure it will do both the insurance companies a lot of good as well as prospective and present policyholders."

We hold no brief for Mr. Everberg. He writes what he thinks. It could be that some people may disagree with some of his conclusions. If so, we want to hear about it.

Federal Reserve Wins A Conviction in Regulation W

Two interesting decisions arising from actions of the Federal Reserve Board have been handed down recently. The first case was one of violation of Regulation W by a credit jeweler in Van Dyke, Michigan, a suburb of Detroit, as a result of which the company lost its license to do business on credit terms for sixty days. In addition the U. S. District Court issued a decree, by consent, enjoining the company from further violations of the Regulation.

It appears that the company not only failed to collect the requisite down payments for goods bought on credit, but also falsified the books by marking payments as "lay-away," thereby seeking to show that until the down payment (the sum of the "lay-aways") was paid, the goods were not handed over to the customer. It was discovered, on the contrary, that the goods were actually handed over on the first "lay-away" payment.

The other decision, of a vastly different nature, was handed down by the U. S. Court of Appeals for the District of Columbia on an appeal from a decision of the District Court. Two bank officers in Paterson, N. J., were ordered removed by the Federal Reserve Board under the Banking Act of 1933. The Board had found that the two officers had violated section 32 of the Banking Act which prohibits any officer, director or employee of any company, partnership or individual, primarily engaged in the business of underwriting securities, from serving at the same time as an officer, director or employee of any member bank of the Federal Reserve System. The officers claimed that the use of the words "primarily engaged" limited the application of section 32 to cases in which the underwriting business of the securities company is first in volume as compared with other businesses in which it is engaged.

A suit in District Court requesting a review of the Board's order was dismissed, but an appeal to the U. S. Court of Appeals was allowed.

LOOK FOR RENEWED BUSINESS FRAUD

Postwar Expansion Aids The Commercial Crook

by R. C. KRAMER*

Treasurer
AMERICAN LADY CORSET CO.
Detroit

The voluntary effort that has been expended in furthering the work of Fraud Prevention among the members of the National Association of Credit Men, particularly in the earlier years, recalls to mind the establishment of the volunteer fire departments.

In those pioneer days, fire hazards were very great, since homes were, for the most part, heated by open fire places and the illumination was secured through candle-light. In the log and frame dwellings, which housed all but the wealthy members of the community, a fire usually resulted in the entire loss of the home and its contents, a total loss not only to the family but to the community at large, which was called upon to alleviate the suffering of the destitute family. Therefore, the patriotic and respected members of the community organized and manned these volunteer fire departments. The fact that they became quite exclusive clubs did not, in any way, detract from the very outstanding contribution they made to the betterment of their community.

You will also remember the keen rivalry that came into being between neighboring towns, all of whom boasted the possession of the finest equipment and of holding the record for the fastest run to a fire.

Some of the volunteer clubs are still in existence, even though their hand-operated pumps have long since been replaced with modern equipment and the volunteer workers with fire fighters trained and paid for out of general taxes of the community.

The comparison between this development and the Fraud Prevention work among the members of our Association is, to me, very apparent, for, in the beginning, detection and prosecution of crime in the commercial field was largely neglected because of the difficulty of securing sufficient evidence. The prosecutors busy with other types of crime and creditors were indifferent. Therefore, the commercial crook, left to his own devices, reaped a very rich reward and became more and more ambitious in his undertakings.

Criminals in other types of activity were attracted to this easy and lucrative field and, following World War I, we had such a large increase in commercial crime that the business interests of the country became very much alarmed. Credit men representing these interests, under the auspices of the National Association of Credit Men, put on an extensive campaign, which was successful in raising sufficient funds to carry through indictments and prosecutions against these well entrenched gangs. Thanks to this fund, organized crime in the business field was reduced to a minimum. Then a small group of far-sighted members of the Association continued their support. This enabled the Association to keep a staff of trained investigators on the job through the war years, when crime of this kind was at low ebb.

It is apparent, however, that following World War II, we will have another period of large business expansion. This will again present an inviting picture to the commercial crook, who will see in it the possibility of large rewards with but little risk. That is, the risk will be small in direct proportion to the indifference of the creditors. What is needed is a revival of the spirit of the early volunteer fire fighting companies to fight this menace before it assumes large proportions. We creditors could easily set aside a contribution out of our yearly profits, calling it Fraud Prevention, Self-Preservation, or just plain Crook insurance. Some businesses may claim they are not affected, but the answer is that all industry is directly or indirectly affected, since the amount taken out of profits through crime does not find its way back into the legitimate channels of business.

Therefore, under the leadership of men who, because of the future need, have kept the personnel of our Fraud Prevention Department intact through the war years, we should set up groups of creditors in each area that will contribute yearly to a continuing fund. In that way, effective pressure will be asserted against the commercial criminal, thus making it not only unprofitable for him to operate in this field, but also carrying the certainty of a long prison term if he persists.

* *Mr. Kramer is Co-Chairman of the National Fraud Prevention Committee.*

E. B. Moran Broadcasts Wichita Conference Before It Happens

Wichita: An interesting little footnote to the Wichita conference last month was the talk on the radio given by E. B. Moran, Manager of the Central Division of the NACM, after the conference had ended.

The remarkable thing about it, however, is the fact that when the talk was made the conference was far from over. The talk was put on at 10:15 on the Saturday night. Mr. Moran made the transcription earlier in the day but unfortunately was not present to hear the results.

BURNING OUT OF BUSINESS

It's Difficult To Recover From A Fire

by FULTON WILLIAMS

Fire prevention propaganda rolls off a great many businessmen like water off a duck's back. The raincoat they employ is a sublime faith in an insurance policy, as evidenced by the common statement, "Oh, that stuff doesn't apply to me: I'm completely covered by insurance."

One catch is that approximately forty-three out of every one hundred establishments which burn never resume business. And very few of the remaining fifty-seven come through without serious blows to their credit.

Consider the average manufacturer or merchant who burns today. Suppose his building and contents at present values were worth $500,000. If they are 100% insured, he gets an adjustment based on replacement less depreciation: say, $400,000. He has a bank loan of $50,000 which will mature in sixty days; a bond issue of $100,000 secured by a mortgage on the plant—so right off the bat he's left with a net insurance award of $250,000.

Even under ordinary circumstances he'd face quite a problem in getting back on his feet. Before he could rebuild and get going again there would be a host of other obligations. Taxes on assessments made prior to the fire would have to be met; income and profits taxes for the same period would be due; contract obligations of various sorts would continue; so would the salaries of key executives and, perhaps, certain skilled labor.

Insurance, if carried, might cover some of these items, but it wouldn't cover business lost permanently to competitors, irreplaceable records, loss of trained personnel, and innumerable other intangible but very real losses which only a firm that has experienced a disastrous fire can fully realize. Without any other complicating troubles he'd be lucky to keep out of the bankruptcy court.

But under today's conditions the situation would be even more distressing. With restrictions on new industrial building, it might be virtually impossible to rebuild. And even though he were free to do so, it would be months before scarce construction materials could be obtained and probably even longer before machinery and raw materials were on hand. In the meanwhile, employees would seek other jobs and customers would go elsewhere for their goods.

If you are burned out of leased premises you are no better off, for you have the same problem of getting established in new quarters and the same difficulty in obtaining scarce items. And if you are only partially burned out there is also the matter of your lease which may be subject to cancellation in case of fire.

Even small fires can cause very substantial losses. This is no hypothetical case—it's the actual experi-

ence of an actual businessman, and there are thousands like it. Here is a ready-to-wear store with a relatively small blaze under the roof which put its passenger elevators out of commission. It took twenty-three days to get the cars running and in that period sales upstairs fell off $13,000—an item not figured in the original estimate of the damages!

There are plenty of others: A department store closed thirty-six days by a fire; sales lost, $197,000; a midwestern manufacturer whose "intangible damages" over and above the insurance payment totaled $300,000; another big concern in the East shut down by fire for twelve months with a loss of $1,565 a day. Figure it up: it makes a staggering total—and makes an awfully sick feeling for the gentleman who said, "Oh, we're covered by insurance!"

The sum and substance of the problem is that fire prevention is of vital concern to every business establishment; no matter how much insurance you carry; no matter how modern your building (which can be no more fireproof than its contents); no matter how many years you've gone without a fire. All of those factors combined won't do a thing toward extinguishing the fire that may start in your establishment this day.

The solution is, don't let it start. But if a fire does start, the best assurance you have of killing it quickly is automatic control.

BOOKKEEPING

(*Continued from Page* 31)

vital statistics of business until every business man keeps the records which are necessary to provide the facts for these statistics.

Creditors can and often do bring pressure to bear upon business men to do a better bookkeeping job than they have done in the past. Some trade associations have conducted intensive campaigns to make their members bookkeeping conscious. Not yet, however, does it seem to have been impressed upon either old or new business men that bookkeeping is more essential now than it ever has been before.

In the field of engineering, once there were only civil engineers and military engineers. The word civil was adopted to distinguish between those engineers who were doing military work and those who concerned themselves with civil problems. As progress was made, new fields were opened for engineers and in the course of time associations were formed. Today, there are many national engineering associations in the United States, including such as the Civil Engineers, the Mechanical Engineers, the Electrical Engineers, the Illuminating Engineers, the Chemical Engineers, the Automotive Engineers, etc. The complete list, in fact, is too long for inclusion in any but a book of reference.

Cooperation Reduces Costs

These engineering societies have played an increasingly important part in reducing the cost of production. They have interchanged information among the members. They have had special committees working on special problems. They have collected a vast amount of data.

In the field of distribution trade associations play pretty much the same part that engineering associations do in the field of production. There is one great difference, however, between the average business man and the average engineer. The engineer realizes the great importance of records. He has a tendency to record everything. Not all his records may be used again but they are there and they are accurate. If the need arises to refer to them, they can be depended upon. It has been these records and the degree of co-operation which has existed between engineers which have made much of our past progress possible.

Records Avoid Failures

When an engineer designs a dam, a bridge, a machine, an automobile, or anything else, it is the exception rather than the rule if errors are made which lead to failure. If there is a failure it is likely to call for a lot of publicity in the newspapers. The engineer is able to do all this because of the records which have been kept in the past. One of the reasons why the early automobiles were no more dependable than they proved to be was that not sufficient time had elapsed in the industry to permit of the making of the records which were needed for a greater sureness in design and manufacture. As the records have accumulated, as they have become more varied and accurate, the engineer has less excuse for failure.

It would appear exactly the same results can be obtained in the field of distribution. The business man, as soon as he comes to realize how important business records are, how detailed they should be and that their future value depends upon their accuracy, should play as important a part in distribution progress as the engineer has in production progress. Who can be certain that when sufficient data has been collected regarding business and has been treated in the same manner as engineers have treated engineering data, that it will be just as rare and just as inexcusable for a business man to allow his business to fail as it now is for an engineer to design and build a bridge or dam that fails?

YOUR ALLY—THE SALESMAN

(*Continued from Page* 10)

assistance they render. Labor leaders proudly proclaim their accomplishments of wage increases and even upon occasions have created situations in order to take credit. Just the other day I learned of demands made by a labor leader. The company reviewed the demands; found them acceptable; and acquiesced. The labor leader's immediate reaction was "You can't do that. If you accept without a fight, I won't get credit for it." He trumped up a strike, and with publicity and fanfare accepted the identical terms three days later.

Every day thousand of small businesses secure aid from business men, not only financial aid but management aid; but the help you render goes unheralded. Your deeds are unknown to the public and the critics of our capitalistic system, of course, never mention them. I wish that the case history of businesses could be developed, dramatizing the humanness and understanding that business men have given each other. Possibly you should employ a publicity department to herald your good deeds.

Be Sales-Minded, but Keep Your Independence

Granting that the Credit Manager must become sales-minded, that he is interested in increasing sales and therefore is more interested in creating business than merely keeping losses at the minimum, to my mind he should be completely free from sales domination. While he should forego the glass eye, he should equally shun the rose-colored glasses of the Sales Department. While I am advocating cooperation with the Sales Department I certainly don't mean amalgamation with the Sales Department. There is a need for separate authority, and I am sure that most of us wish to preserve it.

Among the other things we reaped in the early thirties was the result of poorly supervised credit. Who dared to be credit-minded in 1928 or 1929? We had reached a new peak, a new day. We were all sales-minded, or I probably should say, loose-minded. We were not only a free country but we were a spree country. While I strongly favor a sales-minded Credit Department, my first desire is that it be an intelligent department.

As an outsider, I should like to make this generalization: the Credit Manager's job will vary from industry to industry and from company to company, but to be included in the top drawer of management the Credit Manager must be more than a technician. He must be a student of general business conditions, of his own company, his customers and his competitors. The Credit Manager's position has grown in importance. Its future lies with himself.

New Movie Shows Means of Lowering Distribution Costs

The many hands and many costs involved in getting goods from producer to consumer are pictured in "Distributing America's Goods," a 16-mm., one-reel sound film just released by the Twentieth Century Fund and Encyclopaedia Britannica Films. The film deals with the problems and costs of distribution and was produced jointly by the two organizations in collaboration with Dr. J. Frederic Dewhurst, Economist for the Fund and co-author of the survey, *Does Distribution Cost Too Much?*, on which the movie is based.

The film portrays in simple, human terms the change in America's economic system from handicraft production to mass production of machine-made goods. The resulting growth of our distribution system is traced in the development of transportation, storage, advertising and selling. These and other distribution costs take 59 cents out of every consumer dollar, according to the film.

The new film is expected to be widely used by those interested in advertising, selling, and other special aspects of the distribution process, as well as by consumers' groups and business groups of all kinds. Its producers expect that it will be popular in social science classes and that many manufacturers, as well as wholesale and retail firms, may use it for consumer relations programs and employee training programs.

The purpose of the film, according to Dr. Dewhurst, who cooperated in its production, is to show how the distribution system works in all its ramifications. "Contrary to the popular notion of exorbitant profits for some fictitious 'middleman,' the cost of distribution is shown in the

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NACM NEWS

About Credit Leaders ***Association Activities***

Chicago's 50th Year Hailed By Over 1,000

Chicago: More than a thousand Chicago business executives, members of the Chicago Association of Credit Men and their guests including many from out of the city, attended the Golden Anniversary dinner of the Association in the Grand Ball Room of the Hotel Sherman, Friday evening, April 26.

The guest speaker of the evening was the Honorable Ellis Gibbs Arnall, Governor of Georgia, who spoke on the subject, "Whose Country is This, Anyway?"

C. W. Dittmar, Assistant Treasurer of Crane Co., recently re-elected president of the Chicago Association of Credit Men, presided and introduced A. L. Jones, General Credit Manager of Armour and Company and recently elected Second Vice-President of the Association, as Chairman of the Fiftieth Anniversary Committee. Mr. Jones in turned introduced the Honorary Chairman, James B. Forgan, Jr., Vice-Chairman of the First National Bank of Chicago, whose father, James B. Forgan, Sr., was a moving spirit in the organization of the Association, who presided at the first meeting, November 7, 1896, and who was the first treasurer of the Association, serving three consecutive terms. Mr. Forgan introduced Governor Arnall who was given a very enthusiastic reception.

The invocation was given by the Rev. George M. Gibson, President of the Church Federation of Greater Chicago and pastor of the United Church of Hyde Park. During the dinner the Blackstone Ensemble rendered appropriate musical numbers with Frank Furlett conducting. The National Anthem was sung by Dorothy Layton, lyric soprano, Civic Opera star.

Mr. Jones read a number of congratulatory letters from nationally known business executives and public officials and a telegram from Henry H. Heimann, Executive Manager of the National Association of Credit Men.

Of the 73 firms in Chicago represented at the organization meeting 50 years ago, 24 are still members of the Association and many representatives of these firms were present at the dinner and were introduced by the chairman.

Nominations Committee

1946 BUSINESS MEETING
Paul M. Miller, Chairman

Councillors' Choices

Osbon W. Bullen
Lever Bros., Inc., Cambridge, Mass.

Elmer Weiland
Atlantis Sales Corp., Rochester, N. Y.
Alternate Irwin H. Raunick
The Fairmount Creamery Co., Buffalo.

Paul N. Millians, Vice-Pres.
Commercial Credit Corp., Baltimore.

A. L. Moler
The Fifth Third Union Tr. Co., Cin., O.

Maurice D. Fields
Central Rubber Supply Co., Indianapolis.

M. E. Filson
J. A. Folger & Co., Kansas City, Mo.

J. G. Holland
Moore-Handley Hardware Co., Birmingham, Ala.

John E. Hoff
Klearfax Linen Looms, Inc., Duluth.

L. M. Davis
c/o Kuner-Empson Co., Brighton, Col.

R. William Peterson
Puget Sound Power & Light Co., Seattle.

Members at Large

E. E. Ogren
The Stanley Works, New Britain, Conn.

Graham H. Rothweiler
Inter Chemical Corp., Newark 5, N. J.

William Stockton, Gen. Credit Mgr.
The Atlantic Refining Co., Philadelphia.

E. B. Gansby
The Warner & Swasey Co., Cleveland.

Miss Irene Austin
Consolidated Biscuit Co., Chicago, Ill.

John McNair
Fox-Vliet Drug Co., Oklahoma City.

J. Tom Smith
Rosenfeld Co., Atlanta.

Ross J. Ulman
c/o Tootle Dry Goods Co., Omaha, Nebr.

L. H. Hewlett
Hewlett Bros. Co., Salt Lake City, Utah.

L. J. Ashby
McKesson & Robbins, Inc., Los Angeles.

Detroit: Detroit is to be the scene of the State Conference of Credit Executives on September 13 and 14, in conjunction with the Golden Anniversary Meeting. The conference will wind up with a ball game between New York and Detroit.

N.A.C.M. To Meet at French Lick June 24-25

The annual meeting of the National Association of Credit Men will be held at the French Lick Springs Hotel, French Lick, Indiana, on June 24th and 25th. This session will start at 2:00 p.m. Monday, June 24th, with President Robert L. Simpson presiding. Official routine business will be taken up first, together with all other necessary items and closing will be effected in ample time to attend the banquet, which is scheduled to be held Monday evening.

The final meeting and election session will be called Tuesday morning at ten o'clock. It is hoped that the installation of newly-elected officers and directors for the ensuing year, and all business on the agenda, will be completed in time for luncheon Tuesday.

After careful consideration by the National Board of Directors, the attendance was limited for this business session to the number for which accommodations could be provided. The ratio was voted to be one representative for every sixty members, not including Secretary-Managers, with the minimum of one representative for each Association. Present and Past National Officers and Directors attending will not count against these quotas.

All reservations are being made through the Local Secretaries and by them to the Convention Director.

District 2 Councillors Hold Spring Planning Meeting in Albany, N. Y.

Albany: Councillors and officers of the Associations in the Second District met here on April 27 for the annual spring planning session and for the selection of a member of the National Nominations Committee. A committee was appointed to find suitable quarters for the Tri-State Conference next October. The Rochester Association had made a tentative bid for the Conference but was not able to make arrangements with the Rochester hotels for such a large meeting.

Miss Bess Haven, Credit Manager, First National Bank, Binghamton, was endorsed by the Councillors as a candidate for National Director from the second district.

Stockton Heads New Pennsylvania Board of Officers

William Stockton, chairman of the petroleum division, National Association of Credit Men and general credit manager of the Atlantic Refining Company, was elected president of the Credit Men's Association of Eastern Pennsylvania at the annual meeting and banquet in the Bellevue-Stratford Hotel, Philadelphia, April 25.

Other officers elected include Clarence E. Wolfinger, of Lit Brothers, first vice-president; Edwin T. Atlee, Jr., of I-T-E Circuit Breaker Co., second vice-president; Morgan F. Moore, of Lumbermens Mutual Casualty Co., third vice-president, and Charles B. Weidman, of Philadelphia Terminals Auction Co., fourth vice-president.

Directors elected for three-year terms include William E. Vollmer, of SKF Industries, Inc.; John V. Williams, of Concrete Products Co. of America; George W. Hartman, of W. F. Potts Son and Co., Inc.; John R. Stewart, of Kieckhefer Container Co.; Edward E. Long, of Alan Wood Steel Co., and George S. Newell, of Pittsburgh Plate Glass Co.

The officers were nominated by a committee headed by A. Edward Southgate as chairman.

The association's new president, Stockton, has been a prominent figure in credit circles for a number of years, serving as a director of the Eastern Petroleum Credit Group, which includes Philadelphia, New York, Pittsburgh and Boston, as well as being a member of the operating committee of the Philadelphia Credit Bureau.

Wichita Holds Annual Membership Meeting: To Form Trade Groups

Wichita: The annual Membership meeting of the Wichita ACM was held on Tuesday, April 23. The President and the Secretary-Manager gave their Annual Reports and three Directors were elected.

The Address of the evening was given by "Bud" Weldon of Dulaney, Johnston and Priest, who high-lighted his experiences in the service. Further entertainment was supplied by Alvin Pratt, who played some numbers on his trumpet.

Following the Membership meeting, a brief meeting of the Directors was held to elect Officers for the fiscal year.

With the war over and business returning to a more or less normal basis, Credit Executives in Wichita are making plans for the organization of Trade Groups.

New York: Edward Dinkel, who has been credit manager of the Eagle Pencil Co., of New York, forty years, recently celebrated his eighty-fifth birthday, or at least it was celebrated for him. Mr. Dinkel has been connected with the same firm since 1878, when he was employed as office boy at the salary of $4 a week.

His co-workers came to his desk all day long with gifts of flowers and good wishes, and late in the afternoon the girls in the office gave him a surprise party.

RI Credit Men Hold Joint Meeting with Cost Accountants' Group

Providence: The Rhode Island Association of Credit Men held a joint meeting with the Providence Chapter, National Association of Cost Accountants, on April 22, at the Narragansett Hotel.

Ernest I. Kilcup, President and Treasurer of the Davol Rubber Company, and Past President of the NACM, gave a highly illuminating talk on Cost and Credit Cooperation. Mr. Kilcup's background admirably qualified him to discuss this very timely subject of importance to both Credit Men and Cost Accountants. A very large attendance was present to hear him.

New York Staff Member Was Stone's Secretary

New York: Few are acquainted with the fact that Mortimer J. Davis, Assistant Secretary of the New York Credit Men's Association, once served as Confidential Secretary to the late Harlan Fiske Stone, Chief Justice of the Supreme Court of the United States, who died on April 22.

Mr. Davis accompanied Mr. Stone on many of the latter's trips throughout the United States at a time when Stone was U. S. Attorney General; and although every effort possible was made by the late Chief Justice to induce Mr. Davis to remain with him, Mr. Davis elected to enter the credit field.

It is, of course, well known that "Morty" served for a lengthy period as an Agent of the FBI. He was also a member of the National Staff of NACM from 1924 to 1928.

Birmingham: The Alabama Association of Credit Men has added to its other three groups a major appliance group.

Normally each group meets once a week, but at present the Major Appliance Group is meeting only once a month, due largely to the lack of merchandise.

Credit Fraternity in New York Has New Personnel Counsellor

New York: The Credit Men's Fraternity of New York has retained the services of a full-time personnel counsellor to handle the day to day administrative work taken care of in the past by Mr. Davis, and before him by Mr. Meckauer. The new counsellor, Mr. Kenneth S. Purkiss, will occupy the Fraternity office in the regular space donated by the New York Credit Men's Association.

In characteristically direct fashion, the committee which was appointed to tackle the problem, Messrs. Edward F. Addiss, Henry C. Scheer and James A. Stack, enlisted the help of other friends of the fraternity and Mr. Purkiss' services are being provided by them as a group.

Mr. Purkiss will have the guidance of Raymond Hough, Secretary-Manager of the New York ACM, and Mortimer J. Davis, Assistant Secretary - Manager, while he is finding out what Credit Men are about, and he plans to interview each of the Directors of the Fraternity during the near future the better to acquaint himself with the membership.

Bridgeport Officers Are Held Over for New Term

Bridgeport: At the annual meeting of the Bridgeport Association, held on April 10, the following officers were re-elected for the coming year: President—Harry H. Snyder; Vice-President—Clarence E. Kemp; Treasurer—Miss Anna May Dean; Secretary—Clifton A. Porter.

In addition, all local directors and state directors were also re-elected.

E. B. Moran Shares Spotlight with Insurance Executive at Worcester

Worcester: The April meeting of the Worcester Association of Credit Men featured a movie of the NACM at work, with a running commentary by E. B. Moran, Executive Manager of the Central Division, and a speech on Credit Insurance by James P. O'Brien, Vice-President of the American Credit Indemnity Company of New York.

Mr. O'Brien is well known in the Worcester district, having been Manager of his firm in the New England area from 1927 to 1940. His talk contained much vital information and those attending gained a great deal from it.

The annual meeting and ladies' night is planned for May 20th at the Wachusett Country Club, which has been remodeled and now is more beautiful than ever.

J. A. Walker, Credit Man and Movie Maker Promoted

San Francisco: J. A. Walker has been appointed manager of the credit department of Standard of California, succeeding H. E. Hartline, who is retiring after 27 years with the company, the past 14 as department manager.

Mr. Walker joined Standard as a credit clerk in 1921. Since then he has held every position up the organizational ladder in the credit department and was appointed assistant manager in 1943.

Credit leaders regard as outstanding his work in 1944 in the organization and development of a book and sound film portrayal of the psychology of credits titled "What Would You Say?" Although originally designed for use as a training medium by the credit and marketing departments, the book and film received wide recognition and are currently in use in 21 colleges and universities and have been shown to hundreds of commercial organizations throughout the country.

Walker is a director of the Credit Managers' Association of Northern and Central California, a member of the Board of Governors of the Foreign Trade Chapter of San Francisco and in addition is actively interested in community affairs in Oakland, where he resides with his wife and 14-year-old daughter.

Kansas City Easily Exceeds Quotas In Membership Drive

Kansas City: There seems to be no limit to the number of new members pouring into the Kansas City Association. To quote J. N. Ham, Secretary-Manager, "we no longer show the thermometer—the Membership Committee got so hot they broke it!"

The National Quota of 316 was met several months ago, and the quota set by the Board of Directors—350—was made in February. April started with a total membership of 354, and at the time of going to press this had been increased by 13—12 in the Springfield Unit—making a grand total to date of 369. All twelve of the new members of the Springfield Unit are users of Credit Interchange.

Chairman Durrett, Sheffield Steel Corp., who is doing no mean job himself as a gatherer-in of new members, has made a bet that the Association would reach 375 before April 30; at this rate it is difficult to see how he can lose.

Professor Spafford Addresses Triple Cities ACM on Labor Problems

Binghamton: The Triple Cities Association of Credit Men met at the Arlington Hotel for their monthly meeting on April 16. Professor W. F. Spafford of Rensselaer Polytechnic Institute was present to speak on "Labor and Management."

Professor Spafford is head of the Department of Economics, History and Management, at Rensselaer. He was graduated from the University of Rochester in 1915 and has been on the Rensselaer faculty since 1926, with several years' industrial experience intervening. He has devoted himself recently to organizing and developing a program of courses in economics and business administration and management engineering, combined with study and teaching in the field of human relations and industrial relations, and from time to time has given courses in foremanship for companies.

C. J. Laures Is Elected Toledo's New President

Toledo: C. J. Laures, of the Hickok Oil Corporation, was elected to the presidency of the Toledo ACM at its meeting April 25. Others elected to serve with him were: E. H. Weihe, Owens-Corning Fibreglas Corp., First Vice-President; J. A. Livi, Surface Combustion Co., Second Vice-President, and C. H. Bruns, Page Dairy Co., Treasurer. President John G. Ketteman also gave his annual report.

The speaker for the evening was Dr. H. D. Hopkins, President of Defiance College, and his subject, a burning issue with Credit Men these days, was "Par Value." Dr. Hopkins is well known as an outstanding speaker and has for several years directed the activities of the Ohio Speakers' Club. Prior to his present connection he was a professor in the department of speech at Heidelberg College, Tiffin, Ohio. He was also director of the Chattanooga Experimental Educational Project for adult civic education.

Surprise Party Really Comes As a Surprise

New York: George A. De Naouley, Assistant Treasurer of Concordia-Gallia Corporation and Credit Manager of the company for the last forty years, attended a party at the Hotel McAlpin the other day, given by sixty of his associates, and didn't know the party was for him until he got there.

He was presented with a beautiful gold wristwatch and onyx desk set.

J. L. Schoenberger Elected New Head of Cincinnati ACM

Cincinnati: Joseph L. Schoenberger, of Beau Brummell Ties, Inc., was elected President of the Board of Directors at the April meeting held at the Metropole Hotel, April 10.

Mr. Schoenberger has been prominent in Cincinnati affairs for many years, has been a Director for several terms and has served on numerous committees.

Also elected at the same meeting were: for Vice-Presidents, Leonard J. Gruber, Central Carton Co., and Irwin Stumberg, Galdwin Co.; for Treasurer, Charles M. Grimm, Pollak Steel Co., and for Secretary, Harry W. Voss.

Eastern Petroleum Group Holds Meeting in Boston

Boston: The 9th Annual Conference of the Eastern Petroleum Credit Group had a record registration of 175 and there were 165 in attendance at the banquet. The Boston committee, under the leadership of Chairman Mathewson, provided a most instructive two-day session with a little time out for sight-seeing in the city. Jim Thurston was unanimously elected Chairman of the Eastern Group and D. R. Meredith was re-elected Assistant Secretary and Treasurer.

New York Credit Institute Hears Speaker Suggest Universal Arbitration

New York: "Arbitration or the atomic bomb" is the choice facing the world today in the opinion of J. Noble Braden, Tribunal Vice-President of the American Arbitration Society. Describing the part commercial arbitration will play in our system of enterprise, Mr. Braden, speaking at the monthly forum meeting of the New York Chapter, National Institute of Credit, said if arbitration clauses are used in all contracts and in foreign trade, it may be possible to build up a habit of arbitration which may be adapted to all fields of endeavor.

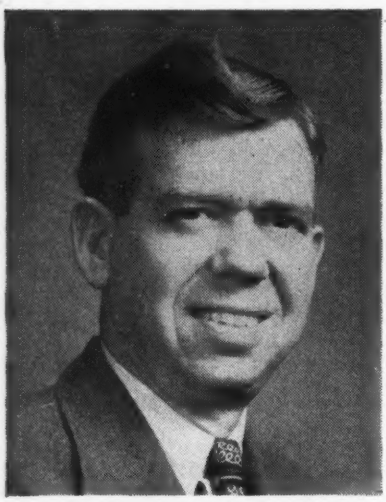
The annual Banquet and Commencement of the New York Chapter of the National Institute of Credit will be held at the Hotel Pennsylvania on the evening of May 21.

Cleveland: The Cleveland Credit Women's Club has elected its officers for the coming year. They are Alice Patterson, Sabin Machine Co., President; Alice Keil, Millcraft Paper Co., Vice-President; Adolpha Horten, Weaver-Wall Co., Treasurer; Lillian Murphy of the Cleveland Association, Secretary.

LOS ANGELES
Kurt J. Koebig
Asst. Secretary—Credit Manager
LIQUID CARBONIC PACIFIC CORP., LTD.

NEW ORLEANS
J. Henry Warner
Vice-President and Treasurer
JUDKINS CO., INC.

OAKLAND
R. Bailey
Secretary
MATHEIS CAKE & COOKIE CO.

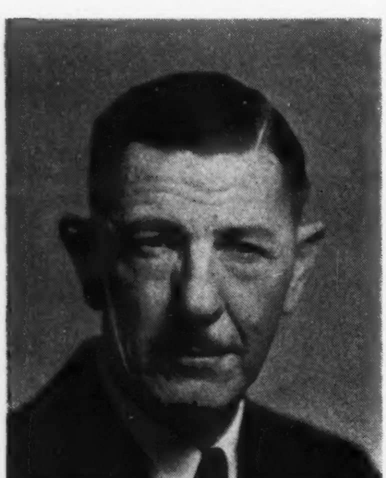


CHATTANOOGA
C. V. McPhail
Credit Manager
PEERLESS WOOLEN MILLS

Association

"God give us men! A time like this demands
Strong minds, great hearts, true faith, and ready hands;
Men whom the lust of office does not kill;
Men whom the spoils of office cannot buy;
Men who possess opinions and a will;
Men who have honor; men who will not lie;
Men who can stand before a demagogue
And damn his treacherous flatteries without winking;
Tall men, sun-crowned, who live above the fog
In public duty and in private thinking."

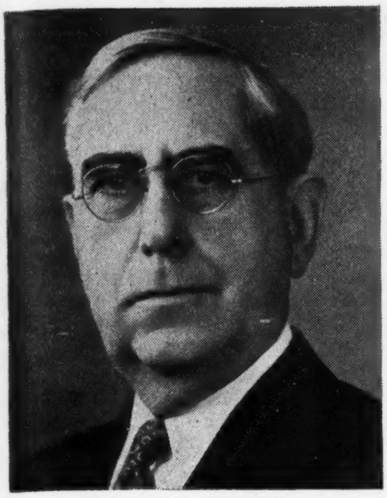
Thus said J. G. Holland, in his *The Day's Demand.* Slightly more inspiringly stated, perhaps, than the av-



PORTLAND
G. W. Hagenback
Credit Manager
CRANE COMPANY

DAYTON
W. O. Weaver
Credit Manager
M. J. GIBBONS SUPPLY CO.

DALLAS
A. H. Murphree
Treasurer
TEXLITE, INC.



LOUISVILLE
W. Q. Harned
Treasurer
FEDERAL CHEMICAL CO.

SYRACUSE
Milan J. Lyon
Asst. Treasurer
BALDWIN-HALL CO., INC.

NEW JERSEY
George Hallett
Asst. Secretary and Asst. Treasurer
TUNG-SOL LAMP WORKS, INC.

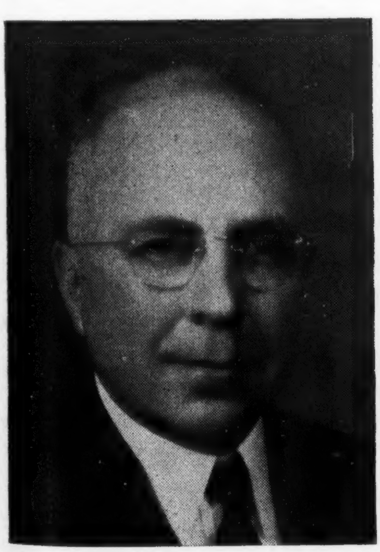
Presidents

erage American would put it, but briefly it says "Give us men who have what it takes."

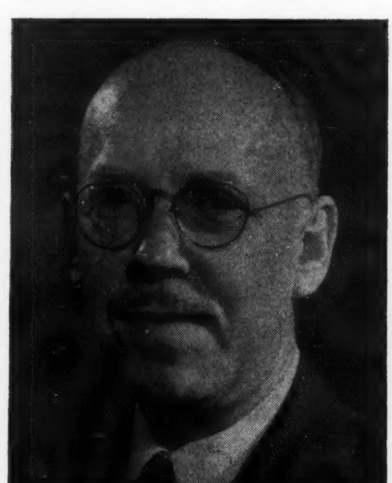
And let there be no doubt that a President's job takes and takes. Your President stands, as far as the public is concerned, for you and all your membership. A good president is taken as the sign of a good organization.

Here are some more photographs of men, chosen by their colleagues purely on the basis of their fine records, to be their head. They are all responsible, respected men, who have given of their best, and now have to give still more, for the furtherance of their profession and their Association.

QUINCY
F. W. Jacobs
Credit Manager
GARDNER-DENVER CO.



MEMPHIS
H. L. Gatchell
Secretary
WM. C. ELLIS & SONS



SOUTH BEND
Harold West
Credit Manager
INDIANA & MICHIGAN ELECTRIC CO.

SHREVEPORT
Leo E. Jones
General Credit Manager
ARKANSAS FUEL OIL CO.

Ex-Spy Recounts Thrilling Experiences at Seattle Meeting

Seattle: The program committee of the Seattle Association of Credit Men really outshone themselves in arranging the April meeting, which was held on Monday, April 22, at the Gowman Hotel.

The speaker, Mr. Claire Phillips, addressed the meeting on the subject, "I Was an American Spy." Mrs. Phillips operated a night club in Manila to attract Japanese officers and secure military secrets from them. She risked her life and was condemned to death by the Japs. For the valuable service she performed, she was decorated by General MacArthur.

Western Pennsylvania Inaugurates Absentee Balloting Facilities

Pittsburgh: The nominating committee of the Western Pennsylvania ACM has named its candidates for election to the Board to fill six vacancies, which occur automatically each year.

They are: F. S. Bennett, Aluminum Cooking Utensil Co.; M. J. Chesmar, Hubbard & Co.; Walter Churchill, Williams and Co., Inc.; J. H. Donovan, Jones & Laughlin Steel Corp.; C. D. Hardman, Alling & Cory Co.; E. R. Johnston, West Penn Power Co.; Aaron Lambie, Blaw-Knox Co.; C. E. Showalter, Westinghouse Electric Supply Co.; O. L. Wilkins, London Guarantee & Accident Co., Ltd.; H. J. Yost, Yost Produce Co.; and for the Johnstown District W. G. Burkhard, Johnstown Sanitary Dairy Co.

The Constitution now provides for a mail ballot which is being sent to members. Since this will enable a great many members, who heretofore have not been convenient to the polls, to have a part in the selection of those who will manage the Association's affairs, it is hoped that all will avail themselves of the opportunity.

St. Paul ACM Hears What World-President Would Have to Expect

St. Paul: Professor William Verhage, Associate Professor of Political Science at Macalester College, chose a more than usually interesting topic—"If You Were President of the World"—for his talk at the April dinner meeting of the St. Paul ACM at the St. Paul Athletic Club.

Professor Verhage brought out the point that, fantastic as it may seem, it *can* happen, and in our time. His speech was followed by a stimulating discussion.

The nominating committee is now receiving names of candidates for the elections which will take place at the annual meeting, May 14.

News of the Credit Women's Clubs

Chattanooga: The newest of the Credit Women's Clubs held its first meeting on Monday, April 15, with more than 20 members present. Chattanooga is the 42nd Club to be formed. Officers for the coming year are: President—Miss Gertie Schaerer; First Vice-President—Mrs. B. H. Robinson; Second Vice-President—Mrs. M. L. Payne; Recording Secretary—Miss Margaret Hail; Corresponding Secretary—Miss Lucy Fletcher; Treasurer—Mrs. G. C. Holley; Councillor—Mrs. A. S. Burkart.

Cleveland: The Cleveland Credit Women's Club celebrated its twelfth birthday at the annual meeting on April 9. The meeting was held at the College Club and each place at the dinner table was decorated with a carnation nosegay given by Kathryn M. Sirc, the retiring president.

First order of business was the annual reports from Committee Chairmen and immediately following was the election of new officers. They are:

President—Alice Patterson, Sabin Machine Co.

Vice-President—Alice Keil, Millcraft Paper Co.

Treasurer—Adolpha Horten, Weaver-Wall Co.

Secretary—Lillian Murphy, Cleveland Association of Credit Men.

The highlight of the evening was the drawing for a lovely "Easter Bonnet" won by Jessie Roberts. Kathryn Sirc has been Cleveland's President for two years and the members paid tribute to her fine work in some charming verses written and recited by Ada MacGeary, and a gift of gold and turquoise earrings.

Omaha: Twenty-two members heard Harold M. Kelley present a very interesting and informative talk on Bankruptcy at the regular monthly meeting at the Regis Hotel.

Following the business meeting a bingo session was held; the grand prize of a vase, presented by the Omaha Crockery Co., was won by Miss Emily Rudloff. The club welcomed two new members—Mrs. Florence B. Gibbons, Gooch Milling and Elevator Co., Lincoln, anl Miss Adeline Deutscher, Baker Manufacturing Co., Omaha.

Arrangements were in charge of Mrs. Elsie Wally, Omaha Crockery Co., and Mrs. Leona Jacobsen, Kraft Cheese Co.

Des Moines: The Credit Women's Club of Des Moines held an interesting meeting at Bishop's Cafeteria. Helen Olson, of the D. M. Stove Repair Co., and Gertrude Osheim, of the Linfeldt Manufacturing Co., had charge of the meeting. Miss Ruth Carson of the Des Moines Public Library gave an interesting talk on her work in connection with the Library.

Seattle: The April meeting of the Seattle Credit Women's Club was held at the Gowman Hotel on April 8. The speaker of the evening was John Jarvis, who conducts a column, "Jarvis' Veterans' Round-Up," in the Seattle *Post-Intelligencer*. He recently returned from a year and a half in the European Theater, where he was a foreign correspondent. Further entertainment was provided by Mrs. Constance Fox and Mrs. Faye Blackmon with selections on the oboe and piano.

The *pièce de résistance* of the evening was an Easter Bonnet contest. Hats appeared made of everything under the sun—butter cartons, rubber tires, even false teeth, and the judges had a hard time deciding which was best.

New officers were elected at the April 8 meeting. Martha Brune, Seattle First National Bank, was elected President; she has previously served as Vice-President and Chairman of the Finance Committee. Vice-President was Elma Hanson, Blake Moffit and Towne, who edited the club's monthly publication for the past year. Inez Watts, W. F. Hall Printing Co., was elected Secretary, and Lucille Dedman, Burroughs Adding Machine Co., Treasurer.

Milwaukee: The Milwaukee Credit Women's Club held its annual election and installation of officers at a dinner, held at the Shorecrest Hotel, April 9. Past Presidents Helen Dors, Sophia Baumgartel and Loretta Fischer entertained the group at the Shorecrest before the dinner. Sophia Baumgartel was the installing officer.

Elected President was Irene Harris, McKesson & Robbins Co., Inc.; Vice-President, Hilda Hennig, Wadhams Division, Socony-Vacuum Oil Co.; Secretary, Lillian Guetzloe, Phoenix Hosiery Co., and Treasurer, Ann Gwin, W. H. Kranz Co.

Wichita: Plans are afoot to organize a Credit Women's Club in Wichita. At the time of going to press there is no more news than this but it is hoped to have some more concrete report in the June issue.

Kansas City: The Credit Women's Club of the Kansas City Association of Credit Men held its monthly dinner meeting April 10 at the Business and Professional Women's Club.

Over forty members and guests were in attendance. Mr. O. W. Larsen, Credit Manager of the Creamery Package Manufacturing Company, entertained the club with musical selections. A very clever talk was made by Miss Charline Wood of the Officers' Club on "Dressing on a Shoe String."

Pittsburgh: The Pittsburgh Credit Women's Club held a meeting on Wednesday, April 24, at the Congress of Clubs. The guest speaker, whose subject was "Credit," was Mr. Byron A. Boynton, the newly-appointed Credit Manager of the Consolidation Coal Co., and previously General Credit Manager of the Pittsburgh Coal Co.

St. Louis: The Credit Women's Club of St. Louis held its final meeting of the season at the Hotel DeSoto on Thursday, April 25. For this meeting the speaker was Special Agent Walter A. Hilgendorf of the Federal Bureau of Investigation, Department of Justice. His experiences were well worth hearing. All the meetings this year have been highly diversified and have proved very interesting.

Detroit: The following officers were elected by the Detroit Credit Women's Club at their meeting on April 16, to serve for the coming fiscal year: Millie Darrow, Arrow Sales Co., President; Erma Jean Lang, Detroit Harvester Co., Vice-President; Oranda B. La Chance, Westcott Paper Products Co., Secretary, and Besse Harrison, Bockstanz Bros., Treasurer.

Binghamton: The Triple Cities Credit Women's Club held a closed meeting on April 17 at the Arlington Hotel for the election of officers. There was also a round table discussion, and the Treasurer submitted her final report.

Cincinnati: The Cincinnati Credit Women's Group held election of officers for the coming year at their meeting on Thursday, April 4. Mabel Vincent, H. Zussman & Son, was elected President; other officers elected were Rose Toerner, Model Laundry Co., Vice-President; Hazel Luisinger, Williamson Heater Co., Secretary, and Julia Osseforth, Harmeyer Paint Co., Treasurer.

New York: The New York Credit Women's Group held its spring party at the Beekman Tower on Thursday, May 2. Following cocktails at 6:30 the Group sat down to dinner at 7:15 and the evening was rounded out with entertainment and cards.

John J. Burke Named Celanese Credit Manager

New York: John J. Burke, who was formerly Credit Manager of Tybize Rayon Corp., has been appointed General Credit Manager of Celanese Corporation of America. This follows a recent merger of the two companies. Mr. Burke will correlate all credit activities of Celanese Corp. and its subsidiaries from their offices at 180 Madison Avenue, New York.

Mr. Burke has long been a representative in the New York Credit Men's Association, is Treasurer of Rayon Yarns Credit Association, and a member of the 475 Club.

Lincoln C-Men Are Hosts to 28 Omaha Visitors

Lincoln: Upon invitation of the Lincoln Association of Credit Men, the program for the regular monthly meeting of the Lincoln Credit Men, held April 15 in the Cornhusker Hotel, was presented by members of the Omaha Association. Twenty-eight members from Omaha came to Lincoln in a chartered bus and presented an educational program including the showing of stereopticon slides elaborating upon the activities of the National and Local Associations.

All committees of the Omaha Association were represented and were introduced by Fred Harris, of the John Deere Plow Company, who presented a brief sketch of each committee and outlined the importance of membership activities.

Harold R. Burke, of the Eggerss-O'Flyng Co., read the narration as the slides were shown, and the meeting was concluded by Ross Ulman, President of the Omaha ACM. Mr. Ulman also offered three pairs of nylon hose as door prizes.

Omaha ACM Has New Household Appliance Group Started

Omaha: With the accelerated activity in the durable goods market, a Radio and Household Appliance Group has been formed by the Omaha Association. Meeting bi-monthly, credit problems pertinent to this field are discussed with credit interchange reports. A recent survey conducted by the United States Chamber of Commerce reveals some amazing figures.

For instance, the survey shows that the present demand is for:

2,625,000 refrigerators
2,555,000 radios
2,100,000 washing machines
1,645,000 stoves
1,505,000 electric irons
1,400,000 vacuum cleaners
1,085,000 kitchen mixers

This situation is reflected by the unusual number of new businesses opening for the distribution of these products.

Wm. C. Linnenkohl Elected Distillers' Group Chairman

New York: After twelve consecutive years as Chairman of the Distillers' Group of the NYACM, which he helped organize, H. E. Stoeber of National Distillers Products Corporation has voluntarily resigned the post.

Wm. C. Linnenkohl of Somerset Importers, Inc., has been elected to succeed Mr. Stoeber as Chairman. Arthur Moench of Hiram Walker, Inc., will serve as Vice-Chairman.

Wisconsin and Michigan Plan Conference

Manitowoc: The Manitowoc-Two Rivers Credit Club will be hosts to the 29th Annual Wisconsin-Upper Michigan Credit and Business Conference on Tuesday, May 14, at the Veterans' Club. Sponsored by the Central Wisconsin, Milwaukee and Northern Wisconsin-Michigan Associations of Credit Men, this annual conference, which was deferred from the usual Fall meeting, promises to be one of the most outstanding conferences held in recent years. The program is being designed not only for Credit Executives, but other executives of the participating firms.

Credit Group Night Draws Large Crowd to Minneapolis Meeting

Minneapolis: The annual Credit Group Night of the Minneapolis Association of Credit Men was attended by over 200 members. Each of the following groups were in attendance: Hardware, Automotive, Motor Truck Suppliers, Paper, Coal, Industrial Suppliers; Plumbing, Heating and Air Conditioning; Jewelers, Meat Packers, Food, Liquor, Road Equipment, Apparel and Furniture and Allied.

The meeting was led by J. P. Murphy of C. W. Olson Mfg. Co., who is Chairman of the Industry Credit Group Committee of the Association.

Cincinnati Names New Directors

Cincinnati: The election of five new directors of the Cincinnati Association of Credit Men was announced recently by Harry W. Voss, Secretary-Manager. Each will serve for a period of three years.

They are: Charles W. Dickhaut, Credit Manager of Hyde Park Clothes; C. M. Grimm, Treasurer, Pollak Steel Co.; Miss Ruth Hunt, Treasurer, Union Iron and Steel Co.; Henry Moorman, Credit Manager, Valvoline Oil Co., and Ralph Rothhaas, Credit Manager of Andrew Jergens Co.

National Foreign Trade Week To Be Observed by U. S.

National Foreign Trade Week will be observed this year during the period of May 19 to 25. It is timed for this part of May each year to include May 22, which is observed as Maritime Day.

The purpose of Foreign Trade Week is to stimulate the public in developing an informed opinion on world trade as a factor in the American economy. The idea was initiated in 1935 by the U. S. Chamber of Commerce (although Los Angeles has observed a Foreign Trade Week of its own since 1927). Each year the Chamber invites all appropriate organizations to join in sponsoring community observance, and over several years there has been a significant increase in the number of business and trade associations participating.

Eric A. Johnston, President of the Chamber, states in a recent bulletin: "We must abandon the unreasoning belief that it is virtuous to export but immoral to import. No nation raises its standards of living by merely increasing its exports—it is by increasing our volume of both exports and imports that we will obtain more goods to consume and, therefore, higher levels of prosperity."

New Movie

(*Continued from Page* 39)

film to result primarily from the many services that distribution performs for the consumer. Only a very small amount of the 59 cents that distribution takes from the consumer dollar goes for advertising or profits," Dr. Dewhurst said. "Of course, distribution costs are sometimes unduly high. One of the purposes of the film is to induce consumers and distributors to consider means of lowering these excessive costs."

According to the producers of "Distributing America's Goods," the film is available for purchase from Encyclopaedia Britannica Films in Chicago or for rental from various film libraries.

Industry Needs New Salesmen

(*Continued from Page* 8)

his boat is threatened in the storm. The amount of sales cargo which may be lost by devoting advertising and publicity to selling the truth about American business will be but a drop in the bucket compared with the ultimate good that would come from blotting out the misconceptions about American business that are finding increasing acceptance. The stakes are high; the strategy suggested is at least worth a trial.

Milwaukee: The Milwaukee Chapter, National Institute of Credit, recently elected its Board of Governors for the coming year. Edward Zick of the First Wisconsin National Bank was elected President; other officers were C. J. Wollersheim, Air Reduction Sales Co., Vice-President; A. C. Mucha, Red Star Yeast and Products Co., Secretary-Treasurer, and H. H. Schroeder, Line Material Co., Chairman of the Education Committee.

Prominent Credit Man Dies in Florida

Minneapolis: It was with great regret that the Minneapolis Association of Credit Men received the news recently of the death in Florida of F. J. Hopkins.

Mr. Hopkins, who was formerly associated with the Jenney-Semple-Hill Company of Minneapolis, was elected a Vice-President of the National Association in 1932 and was re-elected in 1934. Soon after 1935 he retired from business, passing the winters in Florida and the summers at his home in Minneapolis.

He was one of the more prominent leaders in the Minneapolis Association, and took part in deliberations at many National Conventions before his election to a Vice-Presidency.

Bridgeport: The Bridgeport Credit Women's Group held its Annual Meeting and Installation of Officers at the YWCA on Monday, April 29.

Miss Lillian Guth, Chairman of the National Credit Women's Group, was present to install the officers, and the guests included Mr. A. C. D. Bennett, of the Bridgeport ACM and the sponsor of the Credit Women's Group, and Miss Marie Ferguson, National Secretary.

The remainder of the evening was devoted to entertainment.

Washington Bureau Has Latest Facts On GI Bill Changes

The Service Men's Readjustment Act of 1944 was amended on December 28, 1945. Completely new regulations containing many important changes in procedure on business and other loans were issued by the Veterans' Administration on March 1, 1946. Copies of the amended act and the new regulations may be obtained without charge by writing to the Washington Service Bureau, 815 Bowen Building, Washington, D. C.

An additional service is also now available for those who are interested in contracts handled by Rural Electrification Administration. That Bureau has now been moved to Washington from St. Louis, and the Washington Service Bureau is able to get information on construction contracts quite promptly.

New York District Attorney Addresses Waterbury ACM

Waterbury: Frank S. Hogan, New York District Attorney, was the speaker at the April dinner meeting of the Waterbury Association of Credit Men, held on April 25 at the Hotel Elton. His topic was "Applause and Criticism—Two Powerful Drugs."

The toastmaster was E. Robert Stevenson, Editor-in-Chief of the Waterbury *Republican-American,* and the invited guests included the Mayor of Waterbury, Mr. John S. Monagan; Mr. Michael F. Hogan, father of the District Attorney; Mr. Joseph E. Talbot, Congressman from the fifth district of Connecticut, and reporters from the Waterbury newspapers.

District Attorney Hogan was born in Waterbury and educated at St. Thomas' Parochial School and Crosby High School, and subsequently graduated from Columbia University.